



**Auditor of State
Betty Montgomery**

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Westfall Local School District, Pickaway County, Ohio, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Westfall Local School District, Pickaway County, Ohio, for the year ended June 30, 2003, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

35 N. Fourth St. / First Floor / Columbus, OH 43215
Telephone: (614) 466-3340 (800) 282-0370 Fax: (614) 728-7398
www.auditor.state.oh.us

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 16, 2003

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals 2003
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 573,100	\$ 302,228	\$ 246,955	\$ 316,586	\$ 2,276	\$ 12,427	\$ 37,335	\$ -	\$ -	\$ 1,490,907
Cash with Fiscal Agent	-	-	-	-	-	38,497	-	-	-	38,497
Taxes Receivable	3,568,008	79,359	491,632	-	-	-	-	-	-	4,138,999
Interfund Receivables	215,000	-	-	-	-	-	-	-	-	215,000
Due from Other Funds	-	-	-	-	-	-	194,187	-	-	194,187
Intergovernmental Receivables	-	151,994	-	-	36,433	41,753	-	-	-	230,180
Accounts Receivable	8,604	-	-	-	328	121,705	2,889	-	-	133,526
Supply Inventory	1,141	-	-	-	408	-	-	-	-	1,549
Inventory for Resale	-	-	-	-	7,006	-	-	-	-	7,006
Net Property, Plant, and Equipment	-	-	-	-	128,329	-	-	20,125,942	-	20,254,271
Amount Available in Debt Service	-	-	-	-	-	-	-	-	428,266	428,266
Amount to be Provided for Retirement of General Long Term Debt	-	-	-	-	-	-	-	-	6,652,937	6,652,937
Total Assets and Other Debits	<u>\$ 4,365,853</u>	<u>\$ 533,581</u>	<u>\$ 738,587</u>	<u>\$ 316,586</u>	<u>\$ 174,780</u>	<u>\$ 214,382</u>	<u>\$ 234,411</u>	<u>\$ 20,125,942</u>	<u>\$ 7,081,203</u>	<u>\$ 33,785,325</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 2003**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long Term Debt	2003 (Memorandum Only)
Liabilities:										
Interfund Payables	\$ -	\$ 35,000	\$ -	\$ -	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ 215,000
Due to Other Funds	171,608	8,892	-	-	13,687	-	-	-	-	194,187
Intergovernmental Payables	6,160	390	-	-	274	-	197,160	-	84,615	288,599
Accounts Payable	4,654	245	535	17,450	-	-	1,496	-	-	24,380
Claims Payable	-	-	-	-	-	251,957	-	-	-	251,957
Accrued Salaries and Benefits	881,444	46,772	-	-	25,623	-	-	-	-	953,839
Deferred Revenue	3,266,977	124,975	447,306	-	-	-	-	-	-	3,839,258
Due to Others	-	-	-	-	-	-	35,755	-	-	35,755
Bonds Payable	-	-	-	-	-	-	-	-	6,140,731	6,140,731
Compensated Absences Payable	16,045	-	-	-	9,685	-	-	-	855,857	881,587
Total Liabilities	4,346,888	216,274	447,841	17,450	229,269	251,957	234,411	-	7,081,203	12,825,293
Fund Equity and Other Credits:										
Investment in General Fixed Assets	-	-	-	-	-	-	-	20,125,942	-	20,125,942
Retained Earnings	-	-	-	-	(54,489)	(37,575)	-	-	-	(92,064)
Fund Balances:										
Reserved for Inventory	1,141	-	-	-	-	-	-	-	-	1,141
Reserved for Encumbrances	310,502	51,191	-	37,242	-	-	-	-	-	398,935
Reserved for Future Appropriation	240,800	5,666	36,828	-	-	-	-	-	-	283,294
Unreserved Fund Balance	(533,478)	260,450	253,918	261,894	-	-	-	-	-	242,784
Total Fund Balances	18,965	317,307	290,746	299,136	-	-	-	-	-	926,154
Total Fund Balances/Retained Earnings and Other Credits	18,965	317,307	290,746	299,136	(54,489)	(37,575)	-	20,125,942	-	20,960,032
Total Liabilities, Fund Equity, and Other Credits	\$ 4,365,853	\$ 533,581	\$ 738,587	\$ 316,586	\$ 174,780	\$ 214,382	\$ 234,411	\$ 20,125,942	\$ 7,081,203	\$ 33,785,325

See Accompanying Notes to the General Purpose Financial Statements.

**WESTFALL LOCAL SCHOOLDISTRICT
PICKAWAY COUNTY**

**COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 3,129,821	\$ 65,820	\$ 442,340	\$ -	\$ 3,637,981
Tuition	108,676	-	-	-	108,676
Earnings on Investments	18,622	229	1,387	56,244	76,482
Extracurricular Activities	10,075	186,213	-	-	196,288
Classroom Materials & Fees	32,890	-	-	-	32,890
Miscellaneous	106,349	17,238	-	-	123,587
Revenue from Intermediate Sources					
Restricted Grants-in Aid	-	2,300	-	-	2,300
Revenue in Lieu of Taxes	505,815	-	-	-	505,815
Revenue from State Sources					
Unrestricted Grants-in Aid	5,670,735	7,150	48,231	-	5,726,116
Restricted Grants-in Aid	342,295	50,866	-	-	393,161
Restricted from Federal Sources					
Restricted Grants-in Aid	-	615,816	-	-	615,816
Total Revenue	9,925,278	945,632	491,958	56,244	11,419,112
EXPENDITURES:					
Instruction					
Regular Instruction	5,000,779	396,206	-	580,228	5,977,213
Special Instruction	770,070	185,149	-	-	955,219
Vocational Instruction	14,438	-	-	-	14,438
Supporting Services					
Supporting Services-Pupils	284,591	4,802	-	-	289,393
Supporting Services-Instructional Staff	638,978	127,699	-	4,220	770,897
Supporting Services-Board of Education	198,617	1,452	-	-	200,069
Supporting Services-Administration	1,099,347	13,754	-	-	1,113,101
Fiscal Services	248,767	936	6,305	-	256,008
Business	38,001	-	-	-	38,001
Operation & Maintenance-Plant	920,012	3,383	-	14,250	937,645
Supporting Services-Pupil Transportation	947,376	-	-	-	947,376
Supporting Services-Central	16,289	36,998	-	-	53,287
Operation of Non-Instructional Services					
Community Services	-	12,951	-	-	12,951
Extracurricular Activities					
Academic & Subject Oriented	26,523	23,627	-	-	50,150
Occupation Oriented	-	557	-	-	557
Sports Oriented	129,647	115,666	-	-	245,313
Co-Curricular Activities	14,521	-	-	-	14,521
Capital Outlay					
Architecture & Engineering	-	-	-	427,013	427,013
Building Acquisition & Construction	-	-	-	967,188	967,188
Building Improvement	-	-	-	35,428	35,428
Debt Service					
Repayment of Debt	-	-	480,204	-	480,204
Total Expenditures	10,347,956	923,180	486,509	2,028,327	13,785,972
Excess of Revenues					
Over (Under) Expenditures	(422,678)	22,452	5,449	(1,972,083)	(2,366,860)
Other Financing Sources and Uses:					
Other Financing Sources					
Sale & Loss of Assets	48,921	-	-	-	48,921
Transfers-In	-	4,321	-	30,000	34,321
Other Sources	25,786	18,606	-	-	44,392
Other Financing Uses					
Transfers-Out	(30,000)	(4,321)	-	-	(34,321)
Pass Through Payments	-	(14,247)	-	-	(14,247)
Other Expenditures	-	(2,000)	-	-	(2,000)
Net Other Financing Sources and Uses	44,707	2,359	-	30,000	77,066
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(377,971)	24,811	5,449	(1,942,083)	(2,289,794)
Decrease in Supply Inventory	(1,270)	-	-	-	(1,270)
Beginning Fund Balance	398,206	292,496	285,297	2,241,219	3,217,218
Ending Fund Balance	\$ 18,965	\$ 317,307	\$ 290,746	\$ 299,136	\$ 926,154

See Accompanying Notes to the General Purpose Financial Statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2003**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,436,946	\$ 3,436,946	\$ -	\$ 71,410	\$ 71,410	\$ -
Tuition	108,676	108,676	-	-	-	-
Earnings on Investment	17,703	18,634	931	229	229	-
Extracurricular Activities	10,075	10,075	-	184,359	186,213	1,854
Classroom Materials & Fees	32,780	32,780	-	-	-	-
Miscellaneous	106,345	106,345	-	17,238	17,238	-
Intermediate Restricted Grants-in-Aid	-	-	-	2,300	2,300	-
Revenue in Lieu of Taxes	505,815	505,815	-	-	-	-
State Unrestricted Grants-in-Aid	5,670,735	5,670,735	-	7,150	7,150	-
State Restricted Grants-in-Aid	342,295	342,295	-	60,708	60,708	-
Federal Restricted Grants-in-Aid	-	-	-	790,043	631,458	(158,585)
Total Revenue	10,231,370	10,232,301	931	1,133,437	976,706	(156,731)
Expenditures:						
Regular Instruction	5,358,377	5,013,069	345,308	414,602	383,249	31,353
Special Instruction	777,163	764,505	12,658	281,243	223,307	57,936
Vocational Instruction	19,100	14,438	4,662	-	-	-
Support Services-Pupils	252,938	288,374	(35,436)	5,157	4,702	455
Support Services-Instructional Staff	583,911	646,745	(62,834)	168,123	151,155	16,968
Support Services-Board of Education	76,413	254,574	(178,161)	1,451	1,451	-
Support Services-Administration	1,153,662	1,147,884	5,778	22,650	14,536	8,114
Fiscal Services	269,929	252,569	17,360	250,663	888	249,775
Support Services - Business	66,784	42,614	24,170	-	-	-
Operation & Maintenance-Plant	1,130,371	979,600	150,771	5,600	4,883	717
Support Services-Transportation	1,042,702	1,045,988	(3,286)	-	-	-
Support Services-Central	45,600	27,187	18,413	53,984	36,998	16,986
Community Services	-	-	-	-	13,116	(13,116)
Academic & Subject Oriented	33,100	26,469	6,631	33,706	47,674	(13,968)
Occupation Oriented	-	-	-	716	3,057	(2,341)
Sports Oriented	130,500	128,725	1,775	148,675	131,712	16,963
Co-Curricular Activities	17,500	14,391	3,109	-	-	-
Architecture & Engineering	-	-	-	-	-	-
Building Acq. & Construction	-	-	-	-	-	-
Building Improvement	-	-	-	-	-	-
Repayment of Debt	-	-	-	-	-	-
Total Expenditures	10,958,050	10,647,132	310,918	1,386,570	1,016,728	369,842
Excess of Revenues Over (Under) Expenditures	(726,680)	(414,831)	311,849	(253,133)	(40,022)	213,111
Other Financing Sources (Uses):						
Sale & Loss of Assets	48,921	48,921	-	-	-	-
Transfers-In	-	-	-	4,321	4,321	-
Advances-In	324,881	324,881	-	35,000	35,000	-
Refund of Prior Year Expenditures	17,319	17,319	-	18,606	18,606	-
Transfers-Out	(75,000)	(30,000)	45,000	(14,247)	(4,321)	9,926
Advances-Out	-	(215,000)	(215,000)	-	(194,881)	(194,881)
Refund of Prior Year Receipts	-	-	-	-	(14,247)	(14,247)
Other Uses	(120,459)	-	120,459	(36,650)	(2,000)	34,650
Total Other Sources (Uses)	195,662	146,121	(49,541)	7,030	(157,522)	(164,552)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(531,018)	(268,710)	262,308	(246,103)	(197,544)	48,559
Beginning Fund Balance	199,703	199,703	-	342,216	342,216	-
Prior Year Carry Over Encumbrances	331,313	331,313	-	106,365	106,365	-
Ending Fund Balance	\$ (2)	\$ 262,306	\$ 262,308	\$ 202,478	\$ 251,037	\$ 48,559

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES (CONTINUED)
YEAR ENDED JUNE 30, 2003**

	Debt Service Fund			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 479,929	\$ 479,929	\$ -	\$ -	\$ -	\$ -
Tuition	-	-	-	-	-	-
Earnings on Investment	1,271	1,387	116	51,359	56,244	4,885
Extracurricular Activities	-	-	-	-	-	-
Classroom Materials & Fees	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Intermediate Restricted Grants-in-Aid	-	-	-	-	-	-
Revenue in Lieu of Taxes	-	-	-	-	-	-
State Unrestricted Grants-in-Aid	48,231	48,231	-	-	-	-
State Restricted Grants-in-Aid	-	-	-	-	-	-
Federal Restricted Grants-in-Aid	-	-	-	-	-	-
Total Revenue	529,431	529,547	116	51,359	56,244	4,885
Expenditures:						
Regular Instruction	-	-	-	606,884	582,018	24,866
Special Instruction	-	-	-	-	-	-
Vocational Instruction	-	-	-	-	-	-
Support Services-Pupils	-	-	-	-	-	-
Support Services-Instructional Staff	-	-	-	13,590	5,420	8,170
Support Services-Board of Education	-	-	-	-	-	-
Support Services-Administration	-	-	-	-	-	-
Fiscal Services	5,111	5,978	(867)	-	-	-
Support Services - Business	-	-	-	-	-	-
Operation & Maintenance-Plant	-	-	-	-	14,250	(14,250)
Support Services-Transportation	-	-	-	-	-	-
Support Services-Central	-	-	-	-	-	-
Community Services	-	-	-	-	-	-
Academic & Subject Oriented	-	-	-	-	-	-
Occupation Oriented	-	-	-	-	-	-
Sports Oriented	-	-	-	-	-	-
Co-Curricular Activities	-	-	-	-	-	-
Architecture & Engineering	-	-	-	812,064	462,288	349,776
Building Acq. & Construction	-	-	-	2,104,033	2,218,456	(114,423)
Building Improvement	-	-	-	39,388	35,428	3,960
Repayment of Debt	702,844	480,205	222,639	-	-	-
Total Expenditures	707,955	486,183	221,772	3,575,959	3,317,860	258,099
Excess of Revenues Over (Under) Expenditures	(178,524)	43,364	221,888	(3,524,600)	(3,261,616)	262,984
Other Financing Sources (Uses):						
Sale & Loss of Assets	-	-	-	-	-	-
Transfers-In	-	-	-	30,000	30,000	-
Advances-In	-	-	-	-	-	-
Refund of Prior Year Expenditures	-	-	-	-	-	-
Transfers-Out	-	-	-	-	-	-
Advances-Out	-	-	-	-	-	-
Refund of Prior Year Receipts	-	-	-	-	-	-
Other Uses	-	-	-	-	-	-
Total Other Sources (Uses)	-	-	-	30,000	30,000	-
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(178,524)	43,364	221,888	(3,494,600)	(3,231,616)	262,984
Beginning Fund Balance	203,592	203,592	-	3,169,710	3,169,710	-
Prior Year Carry Over Encumbrances	-	-	-	341,251	341,251	-
Ending Fund Balance	\$ 25,068	\$ 246,956	\$ 221,888	\$ 16,361	\$ 279,345	\$ 262,984

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES (CONTINUED)
YEAR ENDED JUNE 30, 2003**

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 3,988,285	\$ 3,988,285	\$ -
Tuition	108,676	108,676	-
Earnings on Investment	70,562	76,494	5,932
Extracurricular Activities	194,434	196,288	1,854
Classroom Materials & Fees	32,780	32,780	-
Miscellaneous	123,583	123,583	-
Intermediate Restricted Grants-in-Aid	2,300	2,300	-
Revenue in Lieu of Taxes	505,815	505,815	-
State Unrestricted Grants-in-Aid	5,726,116	5,726,116	-
State Restricted Grants-in-Aid	403,003	403,003	-
Federal Restricted Grants-in-Aid	790,043	631,458	(158,585)
Total Revenue	11,945,597	11,794,798	(150,799)
Expenditures:			
Regular Instruction	6,379,863	5,978,336	401,527
Special Instruction	1,058,406	987,812	70,594
Vocational Instruction	19,100	14,438	4,662
Support Services-Pupils	258,095	293,076	(34,981)
Support Services-Instructional Staff	765,624	803,320	(37,696)
Support Services-Board of Education	77,864	256,025	(178,161)
Support Services-Administration	1,176,312	1,162,420	13,892
Fiscal Services	525,703	259,435	266,268
Support Services - Business	66,784	42,614	24,170
Operation & Maintenance-Plant	1,135,971	998,733	137,238
Support Services-Transportation	1,042,702	1,045,988	(3,286)
Support Services-Central	99,584	64,185	35,399
Community Services	-	13,116	(13,116)
Academic & Subject Oriented	66,806	74,143	(7,337)
Occupation Oriented	716	3,057	(2,341)
Sports Oriented	279,175	260,437	18,738
Co-Curricular Activities	17,500	14,391	3,109
Architecture & Engineering	812,064	462,288	349,776
Building Acq. & Construction	2,104,033	2,218,456	(114,423)
Building Improvement	39,388	35,428	3,960
Repayment of Debt	702,844	480,205	222,639
Total Expenditures	16,628,534	15,467,903	1,160,631
Excess of Revenues Over (Under) Expenditures	(4,682,937)	(3,673,105)	1,009,832
Other Financing Sources (Uses):			
Sale & Loss of Assets	48,921	48,921	-
Transfers-In	34,321	34,321	-
Advances-In	359,881	359,881	-
Refund of Prior Year Expenditures	35,925	35,925	-
Transfers-Out	(89,247)	(34,321)	54,926
Advances-Out	-	(409,881)	(409,881)
Refund of Prior Year Receipts	-	(14,247)	(14,247)
Other Uses	(157,109)	(2,000)	155,109
Total Other Sources (Uses)	232,692	18,599	(214,093)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,450,245)	(3,654,506)	795,739
Beginning Fund Balance	3,915,221	3,915,221	-
Prior Year Carry Over Encumbrances	778,929	778,929	-
Ending Fund Balance	\$ 243,905	\$ 1,039,644	\$ 795,739

See Accompanying Notes to the General Purpose Financial Statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise Fund	Internal Service Fund	
Operating Revenues:			
Food Services	\$ 323,605	\$ -	\$ 323,605
Charges for Services	-	1,349,617	1,349,617
Total Operating Revenue	<u>323,605</u>	<u>1,349,617</u>	<u>1,673,222</u>
Operating Expenses:			
Personal Services-Salary	176,128	-	176,128
Employee Benefits	100,802	-	100,802
Purchased Services	164	-	164
Supplies and Materials	239,989	-	239,989
Claims and Administrative	-	1,448,814	1,448,814
Depreciation	2,832	-	2,832
Total Operating Expense	<u>519,915</u>	<u>1,448,814</u>	<u>1,968,729</u>
Operating Loss	(196,310)	(99,197)	(295,507)
Non-Operating Revenues:			
State Unrestricted Grants-in-Aid	7,096	-	7,096
Federal Unrestricted Grants-in-Aid	122,045	-	122,045
Federal Restricted Grants-in-Aid	41,896	-	41,896
Total Non-Operating Revenue	<u>171,037</u>	<u>-</u>	<u>171,037</u>
Non-Operating Expenses:			
Other Expenses	98	-	98
Total Non-Operating Expenses	<u>98</u>	<u>-</u>	<u>98</u>
Net Loss	(25,371)	(99,197)	(124,568)
Beginning Retained Earnings	<u>(29,118)</u>	<u>61,622</u>	<u>32,504</u>
Retained Earnings at End of Year	<u>\$ (54,489)</u>	<u>\$ (37,575)</u>	<u>\$ (92,064)</u>

See Accompanying Notes to the General Purpose Financial Statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise Fund	Internal Service Fund	
Cash Flows from Operating Activities			
Operating (Loss)	\$ (196,310)	\$ (99,197)	\$ (295,507)
Adjustment to Reconcile Operating Income			
To Net Cash used in Operating Activities:			
Depreciation	2,832	-	2,832
Net (Increases) Decreases in Assets:			
Intergovernmental Receivable	(3,050)	194,755	191,705
Accounts Receivable	(328)	(121,703)	(122,031)
Inventory	(3,990)	-	(3,990)
Net Increases (Decreases) in Liabilities:			
Due to Other Funds	13,687	-	13,687
Intergovernmental Payable	(14,040)	-	(14,040)
Accrued Salaries and Benefits	(4,089)	-	(4,089)
Compensated Absences Payable	8,110	-	8,110
Claims Payable	-	9,469	9,469
Net Adjustments	(868)	82,521	81,653
Net Cash Used in Operating Activities	(197,178)	(16,676)	(213,854)
Cash Flows from Noncapital Financing Activities:			
Miscellaneous	(98)	-	(98)
Advances from Other Funds	50,000	-	50,000
Grants from State Sources	7,096	-	7,096
Grants from Federal Sources	122,045	-	122,045
Federal Commodities (non cash)	41,896	-	41,896
Net Cash Provided by Noncapital Financing Activities	220,939	-	220,939
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	(29,919)	-	(29,919)
Net Cash Provided by Capital Financing Activities	(29,919)	-	(29,919)
Net Decrease in Cash & Cash Equivalents	(6,158)	(16,676)	(22,834)
Cash and Cash Equivalents at Beginning of Year	8,434	67,600	76,034
Cash and Cash Equivalents at End of Year	\$ 2,276	\$ 50,924	\$ 53,200

See Accompanying Notes to General Purpose Financial Statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 2002, was 1,616. The District employed 116 certified employees and 64 non-certificated employees.

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

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

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

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

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

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Fund Types (Continued)

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

Proprietary Fund Types

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

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

Internal Service Fund - This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Type

The Fiduciary fund is used to account for assets held by the District as an agent for individuals, private organizations, other governments, or other funds. The following is the District's fiduciary fund type:

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

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

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

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

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus/Basis of Accounting

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

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

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

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

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

The District reports deferred revenues of governmental funds on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003 which are not intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

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

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

D. Budget and Budgetary Accounting

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

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

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

Estimated Resources - Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2003.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budget and Budgetary Accounting (Continued)

Appropriations - Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals by fund. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

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

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

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

E. Cash and Investments

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2002-03. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

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

For the District, all investment earnings accrue to the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Funds as authorized by board resolution. Interest income earned in fiscal year 2003 totaled \$18,622 for the General Fund, \$229 for the Special Revenue Funds, \$1,387 for the Debt Service Fund, and \$56,244 for the Capital Project Funds.

F. Inventories

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

G. Fixed Assets

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

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

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

H. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2003, the District had \$215,000 in interfund receivables/payables and \$194,187 in due from/to other funds.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

I. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. The District had no long-term interfund loans at June 30, 2003.

J. Compensated Absences

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

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

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

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

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

K. Long-Term Obligations

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

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

L. Interfund Transactions

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

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

M. Fund Balance Reserves

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

N. Statement of Cash Flows

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

O. Memorandum Only - Total Columns

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

Note 2. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis), All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 2. Budgetary Basis of Accounting (Continued)

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Proceeds from a principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

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

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$377,971)	\$24,811	\$5,449	\$(1,942,083)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	307,023	31,074	37,589	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(299,176)	(93,548)	326	(1,289,533)
Due to Other Sources/Uses	101,414	(159,881)	0	0
Budget Basis	\$(268,710)	\$(197,544)	\$43,364	\$(3,231,616)

Note 3. Accountability and Compliance

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

A. Expenditures Exceeding Appropriations

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds at October 31, 2002: Food Service - \$108,133, Athletics - \$24,442.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 3. Accountability and Compliance (Continued)

B. Certifying Funds Prior to Expenditure

The District did not always certify that funds were available prior to the order or contract of goods and services.

Note 4. Cash and Investments

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 4. Cash and Investments (Continued)

5. 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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At year end, the District had \$2,643 in petty cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and investments."

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

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$630,150 and the bank balance was \$680,394. Of the bank balance, \$100,000 was covered by Federal Depository Insurance and \$580,394 was collateralized by securities specifically pledged by the financial institution to the District.

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

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 4. Cash and Investments (Continued)

	Category			Reported	Fair
	1	2	3	Amount	Value
STAROhio				\$858,114	\$ 858,114

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

Cash and Cash Equivalents with Fiscal Agent: Cash with Fiscal Agent of \$38,497 in the internal service fund type represents monies held by the Ross County School Employees Insurance Consortium (the Consortium) as of June 30, 2003. The Consortium prepares an annual financial report following a basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. The report may be obtained by writing to the Ross County School Employees Insurance Consortium, 19463 Pherson Pike, Williamsport, Ohio 43164.

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$1,529,404	\$0
Investments:		
STAR Ohio	(858,114)	858,114
Total	671,290	858,114
Cash with Fiscal Agent	(38,497)	0
Petty Cash on Hand	(2,643)	0
GASB Statement No. 3	<u>\$630,150</u>	<u>\$858,114</u>

Note 5. Property Tax

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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-

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 5. Property Tax (Continued)

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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 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 tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The full tax rate at the fiscal year ended June 30, 2003 for operations was \$30.30 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2003 taxes were collected were as follows:

Real Property	\$126,091,890
Public Utility Personal Property	24,886,670
Tangible Personal Property	4,355,631
Total Assessed Value	<u>\$155,334,191</u>

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 6. Receivables

Receivables at June 30, 2003, consisted of taxes, accounts (student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

Special Revenue Funds:	
Title I	\$30,766
Title VI-B	58,869
Preschool Subsidy	6,056
Title II-A Grant	20,366
Reducing Class Size	34,144
Title V	472
Title VI	<u>1,321</u>
Total Special Revenue Funds	151,994
Enterprise Fund:	
Food Service	36,433
Internal Service Fund	
Insurance	<u>41,753</u>
Total Intergovernmental Receivables	<u>\$230,180</u>

Note 7. Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligation. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 7. Defined Benefit Pension Plans (Continued)

A. School Employees Retirement System (Continued)

\$238,944, \$238,608, and \$219,216, respectively; 45.65 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$142,250 representing the unpaid contribution for fiscal year 2003, including the surcharge, is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 these active members who die before retirement may qualify for survivor benefits. 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.

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 7. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

\$823,128, \$754,752 and \$768,792, respectively; 83 percent has been contributed for fiscal year 2003, and 100 percent for fiscal years 2002 and 2001. \$137,187 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

Note 8. Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. Effective July 1, 2002, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2003. For the District, this amount equaled \$246,577 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.01 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002 (the latest information available), employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$162,216.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 9. Compensated Absences

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

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

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

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

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

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

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

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

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

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

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 10. Interfund Transactions

At June 30, 2003, the District had short-term interfund receivables and payables resulting from goods provided or services rendered which are classified as "due from/to other funds." An analysis of interfund balances is as follows:

Due From/to Other Funds:

	Due From	Due To
General Fund	\$0	\$171,608
Special Revenue Funds	0	8,892
Enterprise Funds	0	13,687
Agency Funds	194,187	0
Total	\$194,187	\$194,187

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$215,000	\$0
Special Revenue Funds	0	35,000
Enterprise Funds	0	180,000
Total	\$215,000	\$215,000

Note 11. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

Note 12. General Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2003, are as follows:

	Balance			Balance
	July 1, 2002	Additions	Deletions	June 30, 2003
Intergovernmental Payable	\$85,474	84,615	85,474	\$84,615
Bonds Payable	6,275,731	0	135,000	6,140,731
Compensated Absences Payable	753,330	855,857	753,330	855,857
Total General Long-Term Debt	\$7,114,535	940,472	973,804	\$7,081,203

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 12. General Long-Term Debt (Continued)

General Obligation Bonds: The \$6,140,731 of outstanding general obligation bonds relates to a project starting in 2000 for which bonds were issued for the purpose of constructing and equipping an elementary school and improving the site thereof at an interest rate of 5.88%. These bonds mature December 2022, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code Section 133.09 thereof.

The annual maturities of the general obligation bonds as of June 30, 2003, and related interest payments are as follows:

Fiscal Year	Principal	Interest	Payment
2004	190,000	341,830	531,830
2005	200,000	332,140	532,140
2006	210,000	321,840	531,840
2007	240,000	310,920	550,920
2008 and thereafter	5,300,731	3,479,497	8,780,228
	<u>\$6,140,731</u>	<u>\$4,786,227</u>	<u>\$10,926,958</u>

Note 13. Fixed Assets

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2003:

Furniture and Equipment	\$254,999
Less Accumulated Depreciation	(126,670)
Net Fixed Assets	\$128,329

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

Equipment	8-20 years
Furniture	20 years
Vehicles	10 years

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 13. Fixed Assets (Continued)

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2003:

	General Fixed Assets June 30, 2002	Additions	Deletions	General Fixed Assets June 30, 2003
Land and Improvements	\$125,500	\$0	0	\$125,500
Buildings	3,244,521	0	294,500	2,950,021
Improvements other than Buildings	58,941	0	0	58,941
Furniture and Equipment	2,572,684	65,511	19,490	2,618,705
Vehicles	1,556,730	118,289	79,680	1,595,339
Construction In Progress	10,436,522	2,340,914	0	12,777,436
Total General Fixed Assets	\$17,994,898	\$2,524,714	393,670	\$20,125,942

Note 14. Risk Management

A. General Risk

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

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. In addition, the District maintains a \$1,000,000 umbrella liability policy, a \$1,000,000 worker's compensation defense cost liability policy, and a \$1,000,000 employee benefits liability policy. The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

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

The District participates in the Workers' Compensation Program provided by the State of Ohio. The District participates in a Workers' Compensation pool through the Ohio School Board Association for rating program.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 14. Risk Management (Continued)

B. Health Self Insurance

In July, 1994, the District joined the Ross County School Employees Insurance Consortium (RCSEIC) to self insure its medical claims. RCSEIC currently includes 16 member school districts. Contributions are determined by the consortium's board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Thus actual cash "reserves" are held by the fiscal agent.

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

Professional Risk Management, Inc., a third party administrator, services all dental claims submitted by employees.

The District established a self insurance fund for the purpose of tracking the fund's balance with the fiscal agent. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on documentation obtained by the insurance carrier. A summary of changes in self-insurance claims for the year ended June 30, 2003, follows:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
FY 2001	\$144,227	953,704	(881,526)	\$216,405
FY 2002	\$216,405	1,366,524	(1,340,443)	242,486
FY 2003	\$242,486	1,255,560	(1,246,089)	251,957

Note 15. Jointly Governed Organizations

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

The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District. During 2003, the District paid \$23,277.87 to MEC.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 15. Jointly Governed Organizations (Continued)

Ross County School Employees Insurance Consortium - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. Medical/surgical insurance is administered through a third party administrator, Klais and Company. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Westfall Local School District, Scott Glandon, who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

Note 16. Statutory Reserves

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

	Textbook Acquisition	Capital Acquisition
Set aside Cash Balance as of June 30, 2002	\$(44,632)	\$0
Current Year Set-Aside Requirement	218,524	218,524
Qualifying Disbursements	(174,625)	(270,154)
Cash Balance Carried Forward to FY2004	\$(733)	\$0

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

Note 17. School Funding Decision

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

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

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

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 18. Fund Deficits

Fund Balances and Retained Earnings at June 30, 2003, included the following individual fund deficits:

SchoolNet Professional Growth Grant	\$ (37)
Title VI-B Grant	\$ (12,010)
Title I	\$ (22,804)
Title VI-R	\$ (126)
REA Local Reading Grant	\$ (143)
Lunchroom Fund	\$ (54,489)
Self Insurance Fund	\$ (37,575)

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550		\$41,896		\$41,896
School Breakfast Program	049106-05PU-02/03	10.553	\$3,985		\$3,985	
National School Lunch Program	049106-LLP4-02/03	10.555	114,894		114,894	
TOTAL U.S. DEPARTMENT OF AGRICULTURE- NUTRITION CLUSTER			118,878	41,896	118,878	41,896
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	049106-6BSF-2003-P	84.027	203,655		200,842	
Special Education - Preschool Grant	049106-PGS1-2003-P	84.173	1,329		14,740	
Total Special Education Cluster			204,984		215,582	
Title 1 -Grants to Local Educational Agencies	049106-C1S1-2003	84.010	154,982		150,022	
Safe and Drug-Free Schools and Communities	049106-ORS1-2003	84.186	6,587		7,954	
Innovative Educational Program Strategies	049106-C2S1-2003	84.298	13,029		8,073	
Education Technology State Grants	049106-TJS1-2003	84.318	5,086		5,086	
Comprehensive School Reform Demonstration Grant	049106-RFS1-00/01	84.332	70,000		73,764	
REA- Local Reading Improvement	049106-RNS2-00	84.338	118,737		107,385	
Assistive Technology Infusion Program	049106-ATS3-2002	84.352	3,901		3,901	
Improving Teacher Quality State Grants	049106-TRS1-2003	84.367	54,152		58,347	
TOTAL U.S.DEPARTMENT OF EDUCATION			631,458		630,114	
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			\$750,336	\$41,896	\$748,993	\$41,896

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

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the general-purpose financial statements of the Westfall Local School District, Pickaway County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 16, 2003. We conducted our audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 16, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-003.

35 N. Fourth St. / First Floor / Columbus, OH 43215
Telephone: (614) 466-3340 (800) 282-0370 Fax: (614) 728-7398
www.auditor.state.oh.us

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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



Betty Montgomery
Auditor of State

December 16, 2003



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education

We have audited the compliance of the Westfall Local School District, Pickaway County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of District in a separate letter dated December 16, 2003.

Internal Control Over Compliance

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

35 N. Fourth St. / First Floor / Columbus, OH 43215
Telephone: (614) 466-3340 (800) 282-0370 Fax: (614) 728-7398
www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 16, 2003.

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



Betty Montgomery
Auditor of State

December 16, 2003

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster – (Special Education Grants to States - CFDA 84.027 and Special Education – Preschool Grant – CFDA 84.173)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003
(Continued)**

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

Finding Number	2003-001
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Material Noncompliance

Certifying Funds Prior to Expenditure

Ohio Rev. Code Section 5705.41 (D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

The Treasurer may also issue Then and Now Certificates for obligations made prior to certification. Then and Now Certificates allow the Treasurer to certify that both at the time that the contract or order was made and at the time the certification is completed, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance. For obligations less than \$1,000, the certificates can be certified by the Treasurer without subsequent approval from the Board. However, Then and Now Certificates in excess of \$1,000 must be approved by resolution by the Board within 30 days after receiving such certificate. As of April 7, 2003, the threshold for Then and Now Certificates that require Board approval is \$3,000.

Twelve percent of the expenditures tested were not certified at the time of the obligation. Then and Now Certificates were not issued for the transactions that were not certified.

We recommend the Treasurer ensure funds are certified as available prior to the obligation through the issuance of a purchase order containing appropriate certification, or so-called blanket or super blanket certificates as further permitted by Section 5705.41(D). A blanket certificate can be issued for one line item appropriation, not to exceed three months or \$5,000. The blanket certificates must be canceled at the end of each fiscal year. A super blanket certificate can be issued for any amount and any time period, not to exceed the fiscal year, and may be used for recurring and reasonably predictable operating expenses. More than one super blanket certificate can be outstanding for an appropriation line item.

Finding Number	2003-002
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Material Noncompliance

Appropriations versus Expenditures

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003
(Continued)**

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

Finding Number	2003-002 (Continued)
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Material Noncompliance (Continued)

Appropriations versus Expenditures (Continued)

Budgetary expenditures exceeded appropriations at October 31, 2002 in the following funds:

Fund	Appropriations	Expenditures	Variance
006	\$ 304,534	\$ 412,667	\$ (108,133)
300	\$ 113,601	\$ 138,043	\$ (24,442)

This could result in the District expending more funds than it has available. We recommend the District ensure funds are lawfully appropriated prior to making an expenditure or purchase commitment.

Finding Number	2003-003
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Reportable Condition

Charges for Services- Segregation of Duties

The District does not presently separate the functions of record keeping, authorization, the execution or posting of transactions, and the custody or depositing of the funds within the food service collection cycle. The designated cook for each building collects the prepaid lunch envelopes on a daily basis. This person counts the money, posts the receipts to the Café Terminal system (i.e. cash register system) and prepares the deposit slip. These funds are not presently recounted by a separate individual. Additionally, there is no compensating management control over this cycle.

The District should separate the posting of the collections from the depositing and the recording keeping functions. Failure to segregate the duties of collecting, posting, and depositing prepaid lunch sales could result in misappropriation of assets.

We recommend the District segregate the collecting, posting, and depositing of prepaid lunch sales, and the record keeping of these transactions.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

<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; <i>Explain:</i>
2002-10665-001	Ohio Rev. Code Section 5705.39- The District had appropriations exceeding estimated revenue	Partially	Reissued in management letter
2002-10665-002	Ohio Rev. Code Section 5705.41 (B) – The District had expenditures exceeding appropriations	No	Reissued as finding 2003-002



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 16, 2004**