



**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

West Holmes Local School District
Holmes County
28 West Jackson Street
Millersburg, Ohio 44654

To the Board of Education:

We have audited the accompanying general purpose financial statements of the West Holmes Local School District, Holmes County, (the District) as of and for the year ended June 30, 2000, 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 generally accepted auditing standards 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 District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2000 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.

West Holmes Local School District
Holmes County
Report of Independent Accountants
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The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of 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. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 11, 2000

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WEST HOLMES LOCAL SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2000

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 6,541,187	\$ 339,373	\$ 1,077,882	\$ 1,351,645
Receivables:				
Taxes	6,028,512	0	1,194,028	418,772
Accounts	3,381	2,925	0	0
Interfund	56,637	0	0	0
Accrued Interest	100,146	0	16,308	7,352
Intergovernmental Receivable	2,500	73,865	0	0
Prepaid Items	7,146	0	0	0
Inventory Held For Resale	0	0	0	0
Materials and Supplies Inventory	76,633	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalent	590,448	0	0	0
Fixed Assets (Net of depreciation where applicable)	0	0	0	0
Total Assets	13,406,590	416,163	2,288,218	1,777,769
Other Debits				
Amount Available In Debt Service				
Fund for Retirement of General Long Term Obligations	0	0	0	0
Amount to be Provided from General				
Government Resources	0	0	0	0
Total Other Debits	0	0	0	0
Total Assets and Other Debits	\$ 13,406,590	\$ 416,163	\$ 2,288,218	\$ 1,777,769
Liabilities				
Accounts Payable	\$ 109,370	\$ 42,641	\$ 0	\$ 51,638
Contracts Payable	0	0	0	128,880
Retainage Payable	0	0	0	427,965
Accrued Wages and Benefits	1,280,561	91,207	0	0
Compensated Absences Payable	141,500	0	0	0
Interfund Payable	0	56,637	0	0
Intergovernmental Payable	224,477	15,123	0	0
Deferred Revenue	5,834,133	0	1,155,529	405,269
Undistributed Monies	0	0	0	0
Bonds Payable	0	0	0	0
Claims Payable	0	0	0	0
Capital Lease Payable	0	0	0	0
Total Liabilities	7,590,041	205,608	1,155,529	1,013,752
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	393,911	45,376	0	209,276
Reserved for Inventory	76,633	0	0	0
Reserved for Budget Stabilization	590,448	0	0	0
Reserved for Debt Service	0	0	1,094,190	0
Reserved for Tax Advances not Available for Appropriation	194,379	0	38,499	13,503
Unreserved:				
Undesignated	4,561,178	165,179	0	541,238
Total Fund Equity and Other Credits	5,816,549	210,555	1,132,689	764,017
Total Liabilities, Fund Equity and Other Credits	\$ 13,406,590	\$ 416,163	\$ 2,288,218	\$ 1,777,769

See accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Types		Fiduciary Fund Types					Totals
Enterprise	Internal Service	Expendable Trust & Agency	General Fixed Assets	General Long-Term Obligations			(Memorandum Only)
\$ 305,028	\$ 426,972	\$ 85,712	\$ 0	\$ 0	\$ 0		10,127,799
0	0	0	0	0	0		7,641,312
0	20,588	0	0	0	0		26,894
0	0	0	0	0	0		56,637
0	0	0	0	0	0		123,806
145	0	0	0	0	0		76,510
147	0	0	0	0	0		7,293
26,506	0	0	0	0	0		26,506
22,956	0	0	0	0	0		99,589
0	0	0	0	0	0		590,448
411,361	0	0	27,664,488	0	0		28,075,849
766,143	447,560	85,712	27,664,488	0	0		46,852,643
0	0	0	0	1,132,689	0		1,132,689
0	0	0	0	16,374,010	0		16,374,010
0	0	0	0	17,506,699	0		17,506,699
\$ 766,143	\$ 447,560	\$ 85,712	\$ 27,664,488	\$ 17,506,699	\$ 0		64,359,342
\$ 375	\$ 0	\$ 1,012	\$ 0	\$ 0	\$ 0		205,036
0	0	0	0	0	0		128,880
0	0	0	0	0	0		427,965
47,992	0	0	0	0	0		1,419,760
53,210	0	0	0	1,572,892	0		1,767,602
0	0	0	0	0	0		56,637
21,222	0	0	0	127,192	0		388,014
26,506	0	0	0	0	0		7,421,437
0	0	83,731	0	0	0		83,731
0	0	0	0	15,534,935	0		15,534,935
0	235,075	0	0	0	0		235,075
0	0	0	0	271,680	0		271,680
149,305	235,075	84,743	0	17,506,699	0		27,940,752
0	0	0	27,664,488	0	0		27,664,488
118,328	0	0	0	0	0		118,328
498,510	212,485	0	0	0	0		710,995
0	0	96	0	0	0		648,659
0	0	0	0	0	0		76,633
0	0	0	0	0	0		590,448
0	0	0	0	0	0		1,094,190
0	0	0	0	0	0		246,381
0	0	873	0	0	0		5,268,468
616,838	212,485	969	27,664,488	0	0		36,418,590
\$ 766,143	\$ 447,560	\$ 85,712	\$ 27,664,488	\$ 17,506,699	\$ 0		64,359,342

WEST HOLMES LOCAL SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances*

All Governmental Fund Types and Expendable Trust Fund

For the Year Ended June 30, 2000

	Governmental Fund Types	
	General	Special Revenue
Revenues		
Taxes	\$ 5,657,275	\$ 0
Intergovernmental	7,741,720	906,086
Investment Income	386,220	4,707
Tuition and Fees	46,264	1,232
Extracurricular Activities	0	227,705
Miscellaneous	23,179	110,239
Total Revenues	13,854,658	1,249,969
Expenditures		
Current:		
Instruction		
Regular	6,347,822	203,787
Special	1,002,496	604,447
Vocational	385,936	0
Adult Continuing	221,542	0
Support Services:		
Pupils	418,549	35,363
Instructional Staff	402,871	32,820
Board of Education	33,589	0
Administration	1,149,454	106,142
Fiscal	353,852	9,590
Operation and Maintenance of Plant	1,254,693	0
Pupil Transportation	1,066,065	2,958
Central	11,445	0
Operation of Non-Instructional Services	32,092	0
Extracurricular Activities	149,308	170,590
Capital Outlay	266,253	0
Debt Service:		
Principal Retirement	30,319	0
Interest and Fiscal Charges	2,749	0
Total Expenditures	13,129,035	1,165,697
Excess of Revenues Over (Under) Expenditures	725,623	84,272
Other Financing Sources		
Proceeds from Sales of Fixed Assets	0	0
Inception of Capital Lease	266,253	0
Total Other Financing Sources	266,253	0
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	991,876	84,272
Fund Balance at Beginning Of Year	4,824,673	126,283
Fund Balance at End of Year	\$ 5,816,549	\$ 210,555

See Accompanying Notes to the General Purpose Financial Statements.

Governmental Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust		
\$ 1,191,764	\$ 386,363	\$ 0	\$	7,235,402
119,820	47,270	0		8,814,896
43,551	167,706	0		602,184
0	0	0		47,496
0	0	0		227,705
0	0	1,347		134,765
1,355,135	601,339	1,347		17,062,448
0	37,245	0		6,588,854
0	0	0		1,606,943
0	0	0		385,936
0	0	0		221,542
0	0	0		453,912
0	0	894		436,585
0	0	0		33,589
0	0	0		1,255,596
29,283	9,710	0		402,435
0	0	0		1,254,693
0	0	0		1,069,023
0	0	0		11,445
0	0	0		32,092
0	0	0		319,898
0	5,141,556	0		5,407,809
350,000	0	0		380,319
795,383	0	0		798,132
1,174,666	5,188,511	894		20,658,803
180,469	(4,587,172)	453		(3,596,355)
0	25,000	0		25,000
0	0	0		266,253
0	25,000	0		291,253
180,469	(4,562,172)	453		(3,305,102)
952,220	5,326,189	516		11,229,881
\$ 1,132,689	\$ 764,017	\$ 969	\$	7,924,779

WEST HOLMES LOCAL SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual*
All Governmental Fund Types and Expendable Trust Fund
(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2000

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes	\$ 5,586,942	\$ 5,586,942	\$ 0
Intergovernmental	7,741,985	7,741,985	0
Investment Income	286,074	286,074	0
Tuition and Fees	44,948	44,948	0
Extracurricular Activities	0	0	0
Miscellaneous	28,269	28,269	0
Total Revenues	13,688,218	13,688,218	0
<u>Expenditures</u>			
Current			
Instruction			
Regular	6,372,050	6,247,510	124,540
Special	1,040,194	981,808	58,386
Vocational	405,512	388,390	17,122
Adult Continuing	405,924	401,311	4,613
Support Services			
Pupils	442,850	419,231	23,619
Instructional Staff	454,432	418,096	36,336
Board of Education	47,350	36,711	10,639
Administration	1,239,251	1,184,501	54,750
Fiscal	336,247	330,091	6,156
Operation and Maintenance of Plant	1,366,747	1,329,322	37,425
Pupil Transportation	1,246,038	1,206,304	39,734
Central	13,635	11,664	1,971
Operation of Non-Instructional Services	33,285	32,440	845
Extracurricular Activities	188,221	163,652	24,569
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	13,591,736	13,151,031	440,705
Excess of Revenues Over (Under) Expenditures	96,482	537,187	440,705
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Assets	0	0	0
Advances In	0	0	0
Advances Out	(56,637)	(56,637)	0
Total Other Financing Sources (Uses)	(56,637)	(56,637)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	39,845	480,550	440,705
Fund Balance at Beginning of Year	5,755,397	5,755,397	0
Prior Year Encumbrances Appropriated	392,404	392,404	0
Fund Balance at End of Year	\$ 6,187,646	\$ 6,628,351	\$ 440,705

See accompanying Notes to the General Purpose Financial Statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
		\$ 0	\$ 1,182,222	\$ 1,182,222	\$ 0
832,221	832,221	0	119,820	119,820	0
4,741	4,707	(34)	27,243	27,243	0
1,232	1,232	0	0	0	0
227,705	227,705	0	0	0	0
107,314	107,314	0	0	0	0
<u>1,173,213</u>	<u>1,173,179</u>	<u>(34)</u>	<u>1,329,285</u>	<u>1,329,285</u>	<u>0</u>
231,871	205,448	26,423	0	0	0
601,698	594,327	7,371	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
43,934	40,378	3,556	0	0	0
60,725	48,911	11,814	0	0	0
0	0	0	0	0	0
110,636	105,396	5,240	0	0	0
10,166	9,535	631	31,554	29,283	2,271
0	0	0	0	0	0
4,500	2,613	1,887	0	0	0
0	0	0	0	0	0
102	0	102	0	0	0
213,035	202,282	10,753	0	0	0
0	0	0	0	0	0
0	0	0	350,000	350,000	0
0	0	0	836,425	795,383	41,042
<u>1,276,667</u>	<u>1,208,890</u>	<u>67,777</u>	<u>1,217,979</u>	<u>1,174,666</u>	<u>43,313</u>
(103,454)	(35,711)	67,743	111,306	154,619	43,313
0	0	0	0	0	0
56,637	56,637	0	0	0	0
0	0	0	0	0	0
<u>56,637</u>	<u>56,637</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(46,817)	20,926	67,743	111,306	154,619	43,313
195,212	195,212	0	923,263	923,263	0
35,216	35,216	0	0	0	0
<u>\$ 183,611</u>	<u>\$ 251,354</u>	<u>\$ 67,743</u>	<u>\$ 1,034,569</u>	<u>\$ 1,077,882</u>	<u>\$ 43,313</u>

WEST HOLMES LOCAL SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual*
**All Governmental Fund Types and Expendable Trust Fund
(Non-GAAP Budgetary Basis)**

For the Year Ended June 30, 2000

Capital Projects Funds			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes	\$ 382,600	\$ 382,600	\$ 0
Intergovernmental	47,270	47,270	0
Investment Income	160,354	160,354	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
Total Revenues	590,224	590,224	0
<u>Expenditures</u>			
Current			
Instruction			
Regular	163,194	50,942	112,252
Special	0	0	0
Vocational	0	0	0
Adult Continuing	0	0	0
Support Services			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	11,500	9,710	1,790
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	6,781,380	6,223,650	557,730
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	6,956,074	6,284,302	671,772
Excess of Revenues Over (Under) Expenditures	(6,365,850)	(5,694,078)	671,772
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Assets	25,000	25,000	0
Advances In	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	25,000	25,000	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(6,340,850)	(5,669,078)	671,772
Fund Balance at Beginning of Year	4,815,332	4,815,332	0
Prior Year Encumbrances Appropriated	1,948,144	1,948,144	0
Fund Balance at End of Year	\$ 422,626	\$ 1,094,398	\$ 671,772

See accompanying Notes to the General Purpose Financial Statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 7,151,764	\$ 7,151,764	\$ 0
0	0	0	8,741,296	8,741,296	0
0	0	0	478,412	478,378	(34)
0	0	0	46,180	46,180	0
0	0	0	227,705	227,705	0
1,347	1,347	0	136,930	136,930	0
1,347	1,347	0	16,782,287	16,782,253	(34)
0	0	0	6,767,115	6,503,900	263,215
0	0	0	1,641,892	1,576,135	65,757
0	0	0	405,512	388,390	17,122
0	0	0	405,924	401,311	4,613
0	0	0	486,784	459,609	27,175
1,500	1,361	139	516,657	468,368	48,289
0	0	0	47,350	36,711	10,639
0	0	0	1,349,887	1,289,897	59,990
0	0	0	389,467	378,619	10,848
0	0	0	1,366,747	1,329,322	37,425
0	0	0	1,250,538	1,208,917	41,621
0	0	0	13,635	11,664	1,971
0	0	0	33,387	32,440	947
0	0	0	401,256	365,934	35,322
0	0	0	6,781,380	6,223,650	557,730
0	0	0	350,000	350,000	0
0	0	0	836,425	795,383	41,042
1,500	1,361	139	23,043,956	21,820,250	1,223,706
(153)	(14)	139	(6,261,669)	(5,037,997)	1,223,672
0	0	0	25,000	25,000	0
0	0	0	56,637	56,637	0
0	0	0	(56,637)	(56,637)	0
0	0	0	25,000	25,000	0
(153)	(14)	139	(6,236,669)	(5,012,997)	1,223,672
549	549	0	11,689,753	11,689,753	0
336	336	0	2,376,100	2,376,100	0
\$ 732	\$ 871	\$ 139	7,829,184	9,052,856	\$ 1,223,672

WEST HOLMES LOCAL SCHOOL DISTRICT

*Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types*

For the Year Ended June 30, 2000

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues</u>			
Charges for Services	\$ 429,963	\$ 0	\$ 429,963
Premium Revenues	0	1,229,128	1,229,128
Total Operating Revenues	429,963	1,229,128	1,659,091
<u>Operating Expenses</u>			
Salaries	264,021	0	264,021
Fringe Benefits	109,225	0	109,225
Purchased Services	5,718	1,514,885	1,520,603
Materials and Supplies	115,840	0	115,840
Depreciation	15,589	0	15,589
Total Operating Expenses	510,393	1,514,885	2,025,278
Operating Loss	(80,430)	(285,757)	(366,187)
<u>Non-Operating Revenues</u>			
Operating Grants	231,908	0	231,908
Interest	10,974	12,559	23,533
Total Non-Operating Revenues	242,882	12,559	255,441
Net Income (Loss)	162,452	(273,198)	(110,746)
Retained Earnings at Beginning of Year	336,058	485,683	821,741
Retained Earnings at End of Year	498,510	212,485	710,995
Contributed Capital at Beginning of Year	118,328	0	118,328
Current Year Contributed Capital	0	0	0
Contributed Capital at End of Year	118,328	0	118,328
Total Fund Equity at End of Year	\$ 616,838	\$ 212,485	\$ 829,323

See accompanying Notes to the General Purpose Financial Statements.

WEST HOLMES LOCAL SCHOOL DISTRICT
Combined Statement of Cash Flows
All Proprietary Fund Types

For the Year Ended June 30, 2000

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	\$ 461,114	\$ 0	\$ 461,114
Cash Received from Quasi-External Transactions with Other Funds	0	1,218,091	1,218,091
Cash Paid for Goods and Services	(131,441)	(1,410,318)	(1,541,759)
Cash Paid to Employees	(367,134)	0	(367,134)
Net Cash Used For Operating Activities	(37,461)	(192,227)	(229,688)
<u>Cash Flows From Non-Capital Financing Activities</u>			
Grants	231,908	0	231,908
<u>Cash Flows From Capital and Related Financing Activities</u>			
Cash Paid for the Purchase of Equipment	(151,460)	0	(151,460)
<u>Cash Flows From Investing Activities</u>			
Interest Received	10,974	12,559	23,533
Net Increase (Decrease) in Cash and Cash Equivalents	53,961	(179,668)	(125,707)
Cash and Cash Equivalents at Beginning of Year	251,067	606,640	857,707
Cash and Cash Equivalents at End of Year	\$ 305,028	\$ 426,972	\$ 732,000
<u>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</u>			
Operating Loss	\$ (80,430)	\$ (285,757)	\$ (366,187)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:			
Depreciation	15,589	0	15,589
Loss on disposal of assets	1,625	0	1,625
(Increase) Decrease in Intergovernmental Receivable	31,151	(11,037)	20,114
(Increase) Decrease in Inventory	(7,120)	0	(7,120)
Increase (Decrease) in Accounts Payable	(989)	0	(989)
Increase (Decrease) in Accrued Wages and Benefits	6,112	0	6,112
Increase (Decrease) in Due to Other Governments	(196)	0	(196)
Increase (Decrease) in Deferred Revenue	(3,203)	0	(3,203)
Increase (Decrease) in Claims Payable	0	104,567	104,567
Total Adjustments	42,969	93,530	136,499
Net Cash Used For Operating Activities	\$ (37,461)	\$ (192,227)	\$ (229,688)

See accompanying Notes to the General Purpose Financial Statements.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The West Holmes Local School District (District) was 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 school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership as of October 1, 1999, was 2,696. The District employs 178 certificated and 116 non-certificated employees.

The reporting entity is required to be composed of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District. The District has no component units.

The District is involved with Tri-County Computer Service Association (TCCSA) and Ashland County-West Holmes Career Center, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 14.

Management believes the general purpose financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups to report on its financial position and the results of operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The District has the following fund types and account groups:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be sixty days. Generally, property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the use of current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from proprietary fund types.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary fund types.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Proprietary Fund Types

Proprietary fund types are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with Governmental Accounting Standards Board pronouncements. Proprietary funds include the following fund types:

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

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other governmental units, on a cost-reimbursement basis.

Fiduciary Fund Types

Fiduciary fund types account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Funds - Expendable trust funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

Agency Funds - Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Account Groups

The District maintains two account groups as described below:

General Fixed Assets Account Group - This account group is used to account for fixed assets acquired for general purposes other than those accounted for in proprietary fund types.

General Long-Term Obligations Account Group - This account group is used to account for outstanding principal balances of general obligation bonds and other long-term obligations not reported in proprietary fund types.

B. Deposits and Investments

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is recorded in the general fund, as permitted by the Ohio Revised Code. Investments are stated at cost which approximates market value at year-end. Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest credited to the general fund during the fiscal year ended June 30, 2000 totaled \$386,220.

C. Receivables

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

D. Estimates

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables” and “interfund payables.” Long-term interfund loans are classified as “advances to/from other funds” and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

F. Inventory

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. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: equipment - 5 to 20 years. The capitalization threshold is five hundred dollars.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and 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.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. The District had no operating transfers during the year.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (continued)

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of proprietary type funds is reflected as a liability in the respective funds. The current portion of unpaid compensated absences for sick leave related to governmental fund type operations is reflected in the respective funds. For governmental funds, 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 obligations account group.

L. 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 expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, taxes, debt service and HB412 reserves such as textbooks and instructional materials, capital improvements, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several state and federal programs, categorized as follows:

Entitlements

General Fund:

State Foundation Program
State Property Tax Relief
School Bus Purchase Allowance

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds:

Auxiliary Services
Education Management Information Systems
Eisenhower Grant
Title I
Title VI-B

Capital Projects Funds:

School Net

Reimbursable Grants

General Fund:

Driver Education

Proprietary Funds:

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 52% of the District's operating revenue during the 2000 fiscal year.

N. Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. The budget stabilization reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 2000, the School District set aside the amount which State statute required to be included in this reserve. A fund balance reserve has also been established.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 3: BUDGETARY PROCESS

A. Budgetary Process

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 Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified by the County Auditor. All funds other than the Agency funds are required to be budgeted and appropriated. The primary level of budgetary control is at the function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

B. Budgetary Basis

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit a proposed operating budget to the Board of Education. A budget of estimated revenue and expenditures is submitted to the Holmes County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by April 1. As part of the certification, the District receives the official Certificate of Estimated Resources which states projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Fund (Non-GAAP Budgetary Basis)" do not include July 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual Appropriation Resolution must be passed by October 1 of each year for the period July 1 to June 30. The Appropriation Resolution fixes spending authority at the fund, function, object level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 3: BUDGETARY PROCESS (Continued)

B. Budgetary Basis (Continued)

Appropriations (Continued)

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Fund (Non-GAAP Budgetary Basis)" represent the final appropriation amounts including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds 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.

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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the generally accepted accounting principles (GAAP) basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent year expenditures.

Budgetary Reporting

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

- 1) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditure/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and for the proprietary fund types (GAAP basis).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 3: BUDGETARY PROCESS (Continued)

B. Budgetary Basis (Continued)

Budgetary Reporting (Continued)

- 4) The District repays debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Reconciliation of Budget Basis to GAAP Basis

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Expendable Trust Fund</u>
Budgetary Basis	\$ 480,550	\$ 20,926	\$ 154,619	\$(5,669,078)	\$ (14)
Revenue accruals	166,440	76,790	25,850	11,115	0
Expenditure accruals	(158,395)	(101,461)	0	838,542	297
Encumbrances outstanding at year end	<u>503,281</u>	<u>88,017</u>	<u>0</u>	<u>257,249</u>	<u>170</u>
GAAP Basis	<u>\$ 991,876</u>	<u>\$ 84,272</u>	<u>\$ 180,469</u>	<u>\$(4,562,172)</u>	<u>\$ 453</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 4: DEPOSITS

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

Active monies are public deposits necessary to meet the 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 or withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits identified as not required for use within the current two year 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 or 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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies can be invested in the following obligations provided they mature or are redeemable within two years from the date of purchase:

- 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 or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- 6) The State Treasurer's Investment Pool (STAR Ohio).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 4: DEPOSITS (Continued)

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.

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

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 District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year-end, the carrying amount of the District's deposits was \$10,718,247 and the bank balance was \$10,850,048. Of the bank balance:

1. \$277,662 was covered by federal depository insurance.
2. \$10,572,386 was covered by collateral held in the pledging bank's trust department in the District's name.

NOTE 5: FIXED ASSETS AND DEPRECIATION

A. General Fixed Assets Account Group

The changes in general fixed assets during the year consisted of:

	Balance <u>July 1, 1999</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2000</u>
Land, Buildings and Improvements	\$ 6,258,775	\$ 13,896,158	\$ 0	\$ 20,154,933
Furniture and equipment	4,245,653	510,652	106,258	4,650,047
Vehicles	1,700,640	0	110,700	1,589,940
Textbooks	1,279,866	105,923	116,221	1,269,568
Construction in progress	<u>9,843,448</u>	<u>4,012,685</u>	<u>13,856,133</u>	<u>0</u>
	<u>\$23,328,382</u>	<u>\$ 18,525,418</u>	<u>\$14,189,312</u>	<u>\$ 27,664,488</u>

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 5: FIXED ASSETS AND DEPRECIATION (Continued)

B. Proprietary Fund Type Fixed Assets

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	<u>June 30, 2000</u>
Equipment	\$ 580,933
Less: Accumulated Depreciation	<u>169,572</u>
Net Fixed Assets	<u>\$ 411,361</u>

NOTE 6: DEFERRED REVENUE

Deferred Revenue at year-end, consisted of:

Property taxes receivable	\$7,394,931
Federal commodities, unused	<u>26,506</u>
	<u>\$7,421,437</u>

NOTE 7: LONG-TERM OBLIGATIONS

	<u>Outstanding July 1, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2000</u>
School Improvement Bonds, 3.7% - 5.35% variable rate interest, matures December 2023.	\$ 15,884,935	\$ 0	\$ 350,000	\$ 15,534,935
Intergovernmental payable	112,152	15,040	0	127,192
Capital lease payable	35,746	266,253	30,319	271,680
Compensated absences	<u>1,659,656</u>	<u>0</u>	<u>86,764</u>	<u>1,572,892</u>
	<u>\$ 17,692,489</u>	<u>\$ 281,293</u>	<u>\$ 467,083</u>	<u>\$17,506,699</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

The annual requirement to amortize the bond outstanding as of June 30, 2000, including interest payments of \$12,674,254 are as follows:

Year Ending June 30,	
2001	\$ 1,155,870
2002	1,314,125
2003	1,202,309
2004	1,035,588
2005	1,186,272
Thereafter	<u>22,315,025</u>
Total	<u>\$ 28,209,189</u>

During the fiscal year, The District entered into capitalized leases for copiers. The lease agreements are accounted for on a GAAP basis as support services - administration expenditures in the general fund with an offsetting amount reported as an other financing source. In prior years, the District also entered into capitalized leases for copiers. The total capitalized cost of the copiers is \$400,253. All of the leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service payments. General fixed assets acquired by the leases have been capitalized in the General Fixed Assets Account Group in the amount equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long Term Obligations Account Group. The following summarizes future minimum lease payments under the above capital leases, and the present values of net minimum lease payments at June 30, 2000:

Year	Total
2001	\$ 73,099
2002	67,588
2003	67,588
2004	67,588
2005	<u>67,588</u>
Total Minimum Lease Payments	343,451
Less: Amounts Representing Interest	<u>(71,771)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 271,680</u>

NOTE 8: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Holmes, Wayne, Coshocton, and Ashland County Auditors are responsible for assessing and remitting these property taxes to the District.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 8: PROPERTY TAXES (Continued)

Real property taxes collected in 1999 were based on assessed value equal to thirty-five percent of appraisal value. The Holmes, Wayne, Coshocton, and Ashland County Auditors reappraise real property every six years with a triennial update, for which the last update was completed for the tax year 1998 for Holmes County, 1997 for Coshocton County, and 1999 for Ashland and Wayne Counties. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Holmes, Wayne, Coshocton and Ashland Counties, real property taxes are billed semi-annually, one year in arrears. The full tax rate applied to real property for the tax (calendar) year 1999 was \$36.10 for Holmes, Wayne, Ashland and Coshocton Counties per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$32.31 for Coshocton, Ashland, Holmes, and Wayne Counties per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$32.71 for Coshocton, Ashland, Holmes and Wayne Counties per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible property for the tax (calendar) year 1999 was \$36.10 for Holmes, Wayne, Coshocton and Ashland Counties per \$1,000 of assessed valuation.

The property valuation consisted of:

	<u>Holmes</u>	<u>Wayne</u>	<u>Coshocton</u>	<u>Ashland</u>
Real property				
Residential/ Agricultural	\$155,462,890	\$3,441,160	\$3,712,070	\$1,215,720
Commercial/ Industrial	26,281,900	190,540	18,390	36,250
Public utilities	24,550	9,240	0	0
Mineral	3,345,740	0	81,120	0
Tangible Personal Property				
General	21,038,140	350,644	71,615	1,380
Public Utilities	<u>18,481,580</u>	<u>2,315,540</u>	<u>367,780</u>	<u>317,660</u>
Total Valuation	<u>\$224,634,800</u>	<u>\$6,307,124</u>	<u>\$4,250,975</u>	<u>\$1,571,010</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amounts available to the District as an advance at June 30, 2000 were \$234,917, \$3,077, \$3,551 and \$4,836 from Holmes, Wayne, Coshocton, and Ashland Counties, respectively.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 8: PROPERTY TAXES (Continued)

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 9: RECEIVABLES

Receivables at June 30, 2000 consisted mostly of property taxes which are considered collectible in full due to the ability to foreclose for nonpayment. Accounts receivable at June 30, 2000 consisted of tuition and fees in the general fund, miscellaneous revenue in the special revenue funds and charges for services in the internal service fund.

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%; 5.5% was the portion to fund pension obligations. For fiscal year 1999, 7.7% was used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$311,484, \$279,252, and \$296,508, respectively. 50% has been contributed for fiscal year 2000 and 100% for the fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 of \$155,742 is recorded as a liability within the respective funds and the general long-term obligation account group.

B. State Teachers Retirement System (STRS)

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (STRS) (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 6.0% was the portion used to fund pension obligations. For fiscal year 1999, the portion used to fund pension obligations was 10.5%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$1,005,792, \$961,992, and \$922,536, respectively; 83% has been contributed for fiscal year 2000 and 100% for the fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 of \$167,632 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 11: 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.

For STRS, all benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$251,448 during the 2000 fiscal year. STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the fund was \$2,783 million. For the fiscal year ended June 30, 1999 (the latest information available), net health care costs paid by STRS statewide were \$249,929,000 and STRS had 95,796 eligible recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll an increase from 2.20 percent for fiscal year 1999. 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 the fiscal year 2000, the minimum pay was established at \$12,400. For the District the amount to fund healthcare benefits, including surcharge, equaled \$178,914 during the 2000 fiscal year. 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 the annual health care expenses. The number of participants currently receiving health care benefits statewide is 51,000. For the fiscal year ended June 30, 1999 (the latest information available), net health care costs by SERS statewide were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets for payment of health care of \$188.0 million.

NOTE 12: NON-CASH TRANSACTIONS

The district receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$26,506.

NOTE 13: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2000:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 429,963	\$ 0	\$ 429,963
Operating Expenses, less Depreciation	494,804	0	494,804
Depreciation Expense	15,589	0	15,589
Operating Loss	(80,430)	0	(80,430)
Non-operating Grants	231,908	0	231,908
Other Income	10,974	0	10,974
Net Income	162,452	0	162,452
Net Working Capital	257,733	6,353	264,086
Total Assets	738,683	6,353	745,036
Total Equity	610,485	6,353	616,838

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 14: JOINTLY GOVERNED ORGANIZATIONS

A. Tri-County Computer Service Association (TCCSA)

TCCSA is a jointly governed organization comprised of 20 school districts, created as a regional council of governments pursuant to State statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support TCCSA based on a per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Tri-County Educational Service Center, located in Wooster, Ohio which serves as fiscal agent.

B. Ashland County-West Holmes Career Center (Career Center)

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The Board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no measurable equity interest exists.

NOTES 15: RISK MANAGEMENT

A. General Insurance

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 a comprehensive property and casualty policy with a deductible of \$1,000 per incident on property and \$250 per incident on equipment. The District's vehicle insurance policy limit is \$2,000,000 with a \$250 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the District carries a \$2,000,000 blanket umbrella policy. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 in aggregate.

B. Fidelity Bond

The Superintendent has a \$20,000 position bond. The Treasurer is covered under a surety bond in the amount of \$20,000.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTES 15: RISK MANAGEMENT (Continued)

C. Workers' Compensation

The District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

D. Employee Health Insurance

The District has established a limited risk management program for its medical insurance program. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$40,000, and aggregate claims in excess of \$1,478,211. The liability for unpaid claims cost of \$235,075 is reported in the fund at June 30, 2000 in accordance with Governmental Accounting Standards Board Statement No. 10.

Changes in the fund's claims liability amount in 1999 and 2000 were:

	<u>Balance at Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance at End of Year</u>
1999	\$ 73,337	\$1,241,292	\$1,184,121	\$ 130,508
2000	\$ 130,508	\$1,514,885	\$1,410,318	\$ 235,075

NOTE 16: CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District at June 30, 2000.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 16: CONTINGENCIES (Continued)

B. Litigation

The District is party to legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

NOTE 17: SCHOOL FUNDING ISSUE

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio School Funding Plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$7,741,986 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warranting further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 18: STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity (gaap-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, July 1, 1999	\$ 0	\$ 0	\$ 590,448
Required Set-Aside	313,583	313,583	0
Qualifying Expenditures	<u>(503,083)</u>	<u>(5,986,381)</u>	<u>0</u>
Set-aside balance carried forward to future fiscal years	<u>\$ (189,500)</u>	<u>\$ (5,672,798)</u>	<u>\$ 590,448</u>
Set-aside reserve balances as of June 30, 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 590,448</u>

A schedule of restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>590,448</u>
Total restricted assets	<u>\$ 590,448</u>

The District was not required to set-aside additional amounts for budget stabilization reserve in fiscal year 2000 since the district set-aside 5% of base in fiscal year 1999. The District had qualifying expenditures during the fiscal year that reduced the textbook and capital maintenance set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years.

NOTE 19: INTERFUND TRANSACTION

Interfund balances at June 30, 2000 consist of the following individual fund receivables and payable:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 56,637	\$ 0
Special Revenue Fund: Title I	<u>0</u>	<u>56,637</u>
Total All Funds	<u>\$ 56,637</u>	<u>\$ 56,637</u>

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WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture (Passed through the Ohio Department of Education)						
Child Nutrition Cluster: Food Distribution	Not Available	10.550	\$0	\$70,288	\$0	\$73,491
National School Lunch Program	03-PU 1999 03-PU 2000 04-PU 1999 04-PU 2000	10.555	16,281 47,685 47,076 138,719		16,281 47,685 47,076 138,719	
Total National School Lunch Program			<u>249,761</u>		<u>249,761</u>	
Total Child Nutrition Cluster / U.S. Department of Agriculture			249,761	70,288	249,761	73,491
U.S. Department of Education (Passed through the Ohio Department of Education)						
Title I Grants to Local Educational Agencies	047696 C1-S1 1999 047696 C1-S1 2000	84.010	24,500 <u>402,631</u>		64,786 <u>337,799</u>	
Total Title I Grants to Local Educational Agencies			427,131		402,585	
Special Education Grants to States	047696 6B-SF-99 047696 6B-SF-2000	84.027	13,298 <u>164,447</u>		38,331 <u>142,042</u>	
Total Special Education Grants to States			177,745		180,373	
Goals 2000 State and Local Education System	047696 G2-A2-99 047696 G2-S5-2000 047696 G2-S8-2000	84.276	0 27,500 <u>3,000</u>		6,436 19,507 <u>1,775</u>	
Total Goals 2000 State and Local Education System			30,500		27,718	
Eisenhower Professional Development State Grant	047696 MS-S1-98 047696 MS-S1-99 047696 MS-S1-2000	84.281	0 0 <u>12,505</u>		5,559 4,549 <u>10,247</u>	
Total Eisenhower Professional Development State Grant			12,505		20,355	
Innovative Education Program Strategies	047696 C2-S1-99 047696 C2-S1-2000	84.298	0 <u>13,576</u>		10,273 <u>13,576</u>	
Total Innovative Education Program Strategies			13,576		23,849	
Class Size Reduction Subsidy	047696 CR-S1-2000	84.340	<u>52,323</u>		<u>44,083</u>	
Total U.S. Department of Education			<u>713,780</u>		<u>698,963</u>	
Total Federal Assistance			<u>\$963,541</u>	<u>\$70,288</u>	<u>\$948,724</u>	<u>\$73,491</u>

The notes to the Schedule of Receipts and Expenditures of Federal Awards are an integral part of this statement

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2000, the District had \$26,506 of food commodities in inventory.



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

West Holmes Local School District
Holmes County
28 West Jackson Street
Millersburg, Ohio 44654

To the Board of Education:

We have audited the general purpose financial statements of the West Holmes Local School District, Holmes County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter date December 11, 2000.

Internal Control Over Financial Reporting

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

West Holmes Local School District
Holmes County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 11, 2000.

This report is intended for the information and use of 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.

Jim Petro
Auditor of State

December 11, 2000



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

West Holmes Local School District
Holmes County
28 West Jackson Street
Millersburg, Ohio 44654

To the Board of Education:

Compliance

We have audited the compliance of the West Holmes Local School District, Holmes County, (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 each of its major federal programs for the year ended June 30, 2000. 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 each of its major federal programs for the year ended June 30, 2000.

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.

West Holmes Local School District
Holmes County
Report of Independent Accountants on Compliance with Requirements
Applicable to Each Major Federal Program and Internal Control
over Compliance in Accordance with OMB Circular A-133
Page 2

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.

This report is intended for the information and use of 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.

Jim Petro
Auditor of State

December 11, 2000

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any material reported non-compliance at the financial statement level (GAGAS)?	No
(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 Grants to State CFDA No. 84.027 Child Nutrition Cluster CFDA Nos. 10.550/10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
GAGAS
JUNE 30, 2000

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-10938-001	Certification of fiscal officer made after the obligation for expenditures was incurred.	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

WEST HOLMES LOCAL SCHOOL DISTRICT

HOLMES COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 9, 2001**