



**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



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, Ohio, (the District) as of and for the year ended June 30, 2001, 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 District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it 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 14, 2001

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WEST HOLMES LOCAL SCHOOL DISTRICT

Combined Balance Sheet
All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 6,981,940	\$ 376,425	\$ 1,237,117	\$ 1,102,234
Receivables:				
Taxes	5,861,226	0	1,212,415	401,222
Accounts	4,452	0	0	0
Accrued Interest	129,879	0	24,061	1,149
Intergovernmental Receivable	1,729	30,763	0	0
Prepaid Items	7,380	0	0	0
Inventory Held For Resale	0	0	0	0
Materials and Supplies Inventory	40,489	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	70,670	0	0	0
Fixed Assets (Net of depreciation where applicable)	0	0	0	0
Total Assets	13,097,765	407,188	2,473,593	1,504,605
<u>Other Debits</u>				
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	\$ 13,097,765	\$ 407,188	\$ 2,473,593	\$ 1,504,605
<u>Liabilities</u>				
Accounts Payable	\$ 129,612	\$ 21,659	\$ 0	\$ 26,492
Accrued Wages and Benefits	1,289,745	89,254	0	0
Compensated Absences Payable	6,223	0	0	0
Retainage Payable	0	0	0	302,000
Intergovernmental Payable	251,116	16,527	0	0
Deferred Revenue	5,449,599	25,763	1,127,268	373,045
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	7,126,295	153,203	1,127,268	701,537
<u>Fund Equity and Other Credits</u>				
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	444,301	25,202	0	303,112
Reserved for Inventory	40,489	0	0	0
Reserved for BWC Refund	70,670	0	0	0
Reserved for Debt Services:				
Principal	0	0	1,261,178	0
Reserved for Tax Advances not Available for Appropriation	411,627	0	85,147	28,177
Unreserved:				
Undesignated	5,004,383	228,783	0	471,779
Total Fund Equity and Other Credits	5,971,470	253,985	1,346,325	803,068
Total Liabilities, Fund Equity and Other Credits	\$ 13,097,765	\$ 407,188	\$ 2,473,593	\$ 1,504,605

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)
\$ 294,570	\$ 448,732	\$ 1,457	\$ 85,455	\$ 0	\$ 0	\$	10,527,930
0	0	0	0	0	0		7,474,863
0	3,973	0	0	0	0		8,425
0	5,083	0	0	0	0		160,172
0	0	0	0	0	0		32,492
155	0	0	0	0	0		7,535
22,934	0	0	0	0	0		22,934
16,931	0	0	0	0	0		57,420
0	0	0	0	0	0		70,670
419,802	0	0	0	28,103,264	0		28,523,066
754,392	457,788	1,457	85,455	28,103,264	0		46,885,507
0	0	0	0	0	1,346,325		1,346,325
0	0	0	0	0	15,811,275		15,811,275
0	0	0	0	0	17,157,600		17,157,600
\$ 754,392	\$ 457,788	\$ 1,457	\$ 85,455	\$ 28,103,264	\$ 17,157,600	\$	64,043,107
\$ 6,529	\$ 23,809	\$ 82	\$ 6,184	\$ 0	\$ 0	\$	214,367
54,110	0	0	0	0	0		1,433,109
49,559	0	0	0	0	1,601,390		1,657,172
0	0	0	0	0	0		302,000
21,111	0	0	0	0	138,675		427,429
22,934	0	0	0	0	0		6,998,609
0	0	0	79,271	0	0		79,271
0	0	0	0	0	15,159,935		15,159,935
0	393,748	0	0	0	0		393,748
0	0	0	0	0	257,600		257,600
154,243	417,557	82	85,455	0	17,157,600		26,923,240
0	0	0	0	28,103,264	0		28,103,264
118,328	0	0	0	0	0		118,328
481,821	40,231	0	0	0	0		522,052
0	0	76	0	0	0		772,691
0	0	0	0	0	0		40,489
0	0	0	0	0	0		70,670
0	0	0	0	0	0		1,261,178
0	0	0	0	0	0		524,951
0	0	1,299	0	0	0		5,706,244
600,149	40,231	1,375	0	28,103,264	0		37,119,867
\$ 754,392	\$ 457,788	\$ 1,457	\$ 85,455	\$ 28,103,264	\$ 17,157,600	\$	64,043,107

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, 2001

	Governmental Fund Types	
	General	Special Revenue
<u>Revenues</u>		
Taxes	\$ 5,907,468	\$ 0
Intergovernmental	8,596,474	940,829
Investment Income	423,739	5,706
Tuition and Fees	49,391	1,042
Extracurricular Activities	0	255,716
Miscellaneous	84,001	122,210
Total Revenues	15,061,073	1,325,503
<u>Expenditures</u>		
Current:		
Instruction		
Regular	7,261,555	147,051
Special	1,084,327	491,511
Vocational	370,048	0
Adult Continuing	312,345	0
Other	0	123,887
Support Services:		
Pupils	513,370	33,818
Instructional Staff	454,293	156,013
Board of Education	157,637	0
Administration	1,170,494	129,151
Fiscal	295,231	12,572
Operation and Maintenance of Plant	1,562,198	0
Pupil Transportation	1,142,936	7,371
Central	4,866	0
Operation of Non-Instructional Services	34,095	0
Extracurricular Activities	181,856	180,699
Capital Outlay	320,536	0
Debt Service:		
Principal Retirement	20,736	0
Interest and Fiscal Charges	26,285	0
Total Expenditures	14,912,808	1,282,073
Excess of Revenues Over (Under) Expenditures	148,265	43,430
<u>Other Financing Sources</u>		
Proceeds from Sales of Fixed Assets	0	0
Inception of Capital Lease	6,656	0
Total Other Financing Sources	6,656	0
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	154,921	43,430
Fund Balance at Beginning Of Year	5,816,549	210,555
Fund Balance at End of Year	\$ 5,971,470	\$ 253,985

See accompanying Notes to the General Purpose Financial Statements.

Governmental Fund Types		Fiduciary		
Debt	Capital	Expensible	Totals	
Service	Projects	Trust	(Memorandum Only)	
\$ 1,203,490	\$ 403,355	\$ 0	\$ 7,514,313	
119,541	152,416	0	9,809,260	
75,010	40,920	0	545,375	
0	0	0	50,433	
0	0	0	255,716	
0	8,080	2,866	217,157	
1,398,041	604,771	2,866	18,392,254	
0	142,122	0	7,550,728	
0	0	0	1,575,838	
0	0	0	370,048	
0	0	0	312,345	
0	0	0	123,887	
0	0	0	547,188	
0	0	2,460	612,766	
0	0	0	157,637	
0	0	0	1,299,645	
28,535	9,762	0	346,100	
0	0	0	1,562,198	
0	0	0	1,150,307	
0	0	0	4,866	
0	0	0	34,095	
0	0	0	362,555	
0	415,236	0	735,772	
375,000	0	0	395,736	
780,870	0	0	807,155	
1,184,405	567,120	2,460	17,948,866	
213,636	37,651	406	443,388	
0	1,400	0	1,400	
0	0	0	6,656	
0	1,400	0	8,056	
213,636	39,051	406	451,444	
1,132,689	764,017	969	7,924,779	
\$ 1,346,325	\$ 803,068	\$ 1,375	\$ 8,376,223	

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, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes	\$ 5,690,220	\$ 5,690,220	\$ 0
Intergovernmental	8,340,648	8,606,245	265,597
Investment Income	394,006	394,006	0
Tuition and Fees	49,802	49,802	0
Extracurricular Activities	0	0	0
Miscellaneous	82,519	82,519	0
Total Revenues	14,557,195	14,822,792	265,597
<u>Expenditures</u>			
Current			
Instruction			
Regular	7,371,886	7,371,886	0
Special	1,085,097	1,085,097	0
Vocational	390,977	382,432	8,545
Other	438,330	429,824	8,506
Support Services			
Pupils	520,585	520,585	0
Instructional Staff	482,581	464,976	17,605
Board of Education	141,332	138,592	2,740
Administration	1,285,406	1,222,272	63,134
Fiscal	353,518	327,883	25,635
Operation and Maintenance of Plant	1,955,341	1,710,438	244,903
Pupil Transportation	1,369,013	1,279,831	89,182
Central	7,474	5,466	2,008
Operation of Non-Instructional Services	35,538	33,956	1,582
Extracurricular Activities	204,046	181,708	22,338
Capital Outlay	330,400	330,400	0
Debt Service			
Principal Retirement	20,736	20,736	0
Interest and Fiscal Charges	26,285	26,285	0
Total Expenditures	16,018,545	15,532,367	486,178
Excess of Revenues Over (Under) Expenditures	(1,461,350)	(709,575)	751,775
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Fixed Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Advances In	56,637	56,637	0
Advances Out	0	0	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	(1,404,713)	(652,938)	751,775
Fund Balance at Beginning of Year	6,628,351	6,628,351	0
Prior Year Encumbrances Appropriated	503,281	503,281	0
Fund Balance at End of Year	\$ 5,726,919	\$ 6,478,694	\$ 751,775

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	\$ 0	\$ 0	\$ 1,156,842	\$ 1,156,842	\$ 0
1,010,694	1,009,694	(1,000)	119,541	119,541	0
5,706	5,706	0	67,257	67,257	0
1,042	1,042	0	0	0	0
255,755	255,715	(40)	0	0	0
128,631	128,631	0	0	0	0
<u>1,401,828</u>	<u>1,400,788</u>	<u>(1,040)</u>	<u>1,343,640</u>	<u>1,343,640</u>	<u>0</u>
201,080	157,993	43,087	0	0	0
522,644	506,893	15,751	0	0	0
0	0	0	0	0	0
123,887	123,887	0	0	0	0
47,874	44,716	3,158	0	0	0
162,869	149,182	13,687	0	0	0
0	0	0	0	0	0
139,294	130,636	8,658	0	0	0
12,507	12,507	0	33,604	28,535	5,069
0	0	0	0	0	0
7,743	7,320	423	0	0	0
0	0	0	0	0	0
102	0	102	0	0	0
259,605	217,332	42,273	0	0	0
0	0	0	0	0	0
0	0	0	375,000	375,000	0
0	0	0	795,400	780,870	14,530
<u>1,477,605</u>	<u>1,350,466</u>	<u>127,139</u>	<u>1,204,004</u>	<u>1,184,405</u>	<u>19,599</u>
(75,777)	50,322	126,099	139,636	159,235	19,599
0	0	0	0	0	0
156	156	0	0	0	0
(3,653)	(3,653)	0	0	0	0
0	0	0	0	0	0
(56,637)	(56,637)	0	0	0	0
<u>(60,134)</u>	<u>(60,134)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(135,911)	(9,812)	126,099	139,636	159,235	19,599
251,354	251,354	0	1,077,882	1,077,882	0
88,017	88,017	0	0	0	0
<u>\$ 203,460</u>	<u>\$ 329,559</u>	<u>\$ 126,099</u>	<u>\$ 1,217,518</u>	<u>\$ 1,237,117</u>	<u>\$ 19,599</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, 2001

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes	\$ 388,681	\$ 388,681	\$ 0
Intergovernmental	152,416	152,416	0
Investment Income	47,123	47,123	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	8,080	8,080	0
Total Revenues	596,300	596,300	0
<u>Expenditures</u>			
Current			
Instruction			
Regular	241,626	142,122	99,504
Special	0	0	0
Vocational	0	0	0
Other	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	9,762	1,738
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	1,310,153	1,024,831	285,322
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	1,563,279	1,176,715	386,564
Excess of Revenues Over (Under) Expenditures	(966,979)	(580,415)	386,564
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Fixed Assets	1,400	1,400	0
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	1,400	1,400	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(965,579)	(579,015)	386,564
Fund Balance at Beginning of Year	1,094,398	1,094,398	0
Prior Year Encumbrances Appropriated	257,249	257,249	0
Fund Balance at End of Year	\$ 386,068	\$ 772,632	\$ 386,564

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		\$ 7,235,743	\$ 7,235,743	\$ 0	
0	0	0		9,623,299	9,887,896	264,597	
0	0	0		514,092	514,092	0	
0	0	0		50,844	50,844	0	
0	0	0		255,755	255,715	(40)	
2,866	2,866	0		222,096	222,096	0	
<u>2,866</u>	<u>2,866</u>	<u>0</u>		<u>17,901,829</u>	<u>18,166,386</u>	<u>264,557</u>	
0	0	0		7,814,592	7,672,001	142,591	
0	0	0		1,607,741	1,591,990	15,751	
0	0	0		390,977	382,432	8,545	
0	0	0		562,217	553,711	8,506	
0	0	0		568,459	565,301	3,158	
2,801	2,610	191		648,251	616,768	31,483	
0	0	0		141,332	138,592	2,740	
0	0	0		1,424,700	1,352,908	71,792	
0	0	0		411,129	378,687	32,442	
0	0	0		1,955,341	1,710,438	244,903	
0	0	0		1,376,756	1,287,151	89,605	
0	0	0		7,474	5,466	2,008	
0	0	0		35,640	33,956	1,684	
0	0	0		463,651	399,040	64,611	
0	0	0		1,640,553	1,355,231	285,322	
0	0	0		395,736	395,736	0	
0	0	0		821,685	807,155	14,530	
<u>2,801</u>	<u>2,610</u>	<u>191</u>		<u>20,266,234</u>	<u>19,246,563</u>	<u>1,019,671</u>	
65	256	191		(2,364,405)	(1,080,177)	1,284,228	
0	0	0		1,400	1,400	0	
0	0	0		156	156	0	
0	0	0		(3,653)	(3,653)	0	
0	0	0		56,637	56,637	0	
0	0	0		(56,637)	(56,637)	0	
<u>0</u>	<u>0</u>	<u>0</u>		<u>(2,097)</u>	<u>(2,097)</u>	<u>0</u>	
65	256	191		(2,366,502)	(1,082,274)	1,284,228	
871	871	0		9,052,856	9,052,856	0	
171	171	0		848,718	848,718	0	
<u>\$ 1,107</u>	<u>\$ 1,298</u>	<u>\$ 191</u>		<u>\$ 7,535,072</u>	<u>\$ 8,819,300</u>	<u>\$ 1,284,228</u>	

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, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues</u>			
Charges for Services	\$ 478,364	\$ 0	\$ 478,364
Premium Revenues	0	1,445,652	1,445,652
Total Operating Revenues	478,364	1,445,652	1,924,016
<u>Operating Expenses</u>			
Salaries	282,538	0	282,538
Fringe Benefits	128,481	0	128,481
Purchased Services	9,512	1,626,148	1,635,660
Materials and Supplies	318,095	0	318,095
Depreciation	20,266	0	20,266
Total Operating Expenses	758,892	1,626,148	2,385,040
Operating Loss	(280,528)	(180,496)	(461,024)
<u>Non-Operating Revenues</u>			
Operating Grants	254,609	0	254,609
Interest	9,230	8,242	17,472
Total Non-Operating Revenues	263,839	8,242	272,081
Net Loss	(16,689)	(172,254)	(188,943)
Retained Earnings at Beginning of Year	498,510	212,485	710,995
Retained Earnings at End of Year	481,821	40,231	522,052
Contributed Capital at End of Year	118,328	0	118,328
Total Fund Equity at End of Year	\$ 600,149	\$ 40,231	\$ 640,380

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, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	\$ 478,509	\$ 1,462,267	\$ 1,940,776
Cash Paid for Goods and Services	(312,860)	(1,443,666)	(1,756,526)
Cash Paid to Employees	(408,552)	0	(408,552)
Net Cash (Used For) Provided By Operating Activities	(242,903)	18,601	(224,302)
<u>Cash Flows From Non-Capital Financing Activities</u>			
Grants	254,609	0	254,609
<u>Cash Flows From Capital and Related Financing Activities</u>			
Cash Paid for the Purchase of Equipment	(31,394)	0	(31,394)
<u>Cash Flows From Investing Activities</u>			
Interest Received	9,230	3,159	12,389
Net Increase (Decrease) in Cash and Cash Equivalents	(10,458)	21,760	11,302
Cash and Cash Equivalents at Beginning of Year	305,028	426,972	732,000
Cash and Cash Equivalents at End of Year	\$ 294,570	\$ 448,732	\$ 743,302
<u>Reconciliation of Operating Loss to Net Cash (Used For) Provided By Operating Activities</u>			
Operating Loss	\$ (280,528)	\$ (180,496)	\$ (461,024)
Adjustments to Reconcile Operating Loss to Net Cash (Used For) Provided By Operating Activities:			
Depreciation	20,266	0	20,266
Loss on disposal of assets	2,687	0	2,687
(Increase) Decrease in Accounts Receivable	145	16,615	16,760
(Increase) Decrease in Inventory	9,597	0	9,597
(Increase) Decrease in Prepaid Items	(8)	0	(8)
Increase (Decrease) in Accounts Payable	6,154	23,809	29,963
Increase (Decrease) in Accrued Wages and Benefits	2,467	0	2,467
Increase (Decrease) in Due to Other Governments	(111)	0	(111)
Increase (Decrease) in Deferred Revenue	(3,572)	0	(3,572)
Increase (Decrease) in Claims Payable	0	158,673	158,673
Total Adjustments	37,625	199,097	236,722
Net Cash (Used For) Provided By Operating Activities	\$ (242,903)	\$ 18,601	\$ (224,302)

See accompanying Notes to the General Purpose Financial Statements.

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WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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, 2000, was 2,697. The District employs 185 certificated and 125 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:

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types and the expendable trust fund use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Types (Continued)

of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 8.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which are levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported 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 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.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Types (Continued)

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 general long-term obligation principal, interest, and related costs.

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.

Proprietary Fund Types

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue. 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.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. These funds are used to account for assets that the District holds for others in an agency capacity. Agency funds are accounted for using the modified accrual basis of accounting.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in proprietary fund types.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary fund types.

B. Deposits and Investments

For purposes of the statement of cash flows, the District considers all investments of the pooled cash account and all investments 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, 2001, totaled \$423,739.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The District had no interfund loans outstanding at year end.

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 consists 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, 2001, 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.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on 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 \$500.

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.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, debt services, BWC refund, and property taxes. 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

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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 53% of the District's operating revenue during the 2001 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 BWC refund reserve. This reserve is required by State statute. The BWC refund reserve can be used only for purposes specified by the statute. During fiscal year 2001, the District set aside the amounts required by State statute. Fund balance reserves have also been established.

P. Contributed Capital

Contributed capital reported in the enterprise funds represent resources provided from other funds, other governments, and private sources that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contribute resources is expensed and closed to unreserved retained earnings at year end. There were no changes to contributed capital this year.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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 fund/function/object 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, 2000 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, and 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.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 3: BUDGETARY PROCESS (Continued)

B. Budgetary Basis (Continued)

Appropriations (Continued)

The allocation of appropriations among objects and 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 type (GAAP basis).

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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 Funds</u>	<u>Capital Projects Funds</u>	<u>Expendable Trust Fund</u>
Budgetary Basis	\$ (652,938)	\$ (9,812)	\$ 159,235	\$ (579,015)	\$ 256
Revenue accruals	247,281	(75,286)	54,401	8,471	0
Expenditure accruals	(13,335)	81,667	0	279,991	(8)
Encumbrances outstanding at year end	<u>573,913</u>	<u>46,861</u>	<u>0</u>	<u>329,604</u>	<u>158</u>
GAAP Basis	<u>\$ 154,921</u>	<u>\$ 43,430</u>	<u>\$ 213,636</u>	<u>\$ 39,051</u>	<u>\$ 406</u>

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.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 4: DEPOSITS (continued)

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 30 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;
- 6) The State Treasurer's Investment Pool (STAR Ohio);
- 7) Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate 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.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 4: DEPOSITS (Continued)

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.

At year-end, the carrying amount of the District's deposits was \$10,598,600 and the bank balance was \$10,946,471. Of the bank balance:

1. \$272,763 was covered by federal depository insurance.
2. \$10,673,708 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 July 1, 2000	Additions	Disposals	Balance June 30, 2001
Land, Buildings and Improvements	\$20,154,933	\$ 149,929	\$ 0	\$ 20,304,862
Furniture and equipment	4,650,047	70,837	55,078	4,665,806
Vehicles	1,589,940	225,094	157,500	1,657,534
Textbooks	1,269,568	279,814	74,320	1,475,062
	\$27,664,488	\$ 725,674	\$ 286,898	\$ 28,103,264

B. Proprietary Fund Type Fixed Assets

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

<u>Enterprise Fund:</u>	<u>June 30, 2001</u>
Equipment	\$ 596,143
Less: Accumulated Depreciation	(176,341)
Net Fixed Assets	\$ 419,802

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 6: DEFERRED REVENUE

Deferred Revenue at year-end, consisted of:

Property taxes receivable	\$6,949,912
Federal commodities, unused	22,934
Intergovernmental receivable	<u>25,763</u>
	<u>\$6,998,609</u>

NOTE 7: LONG-TERM OBLIGATIONS

	<u>Outstanding June 30, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2001</u>
School Improvement Bonds, 3.7% - 5.35% variable rate interest, matures December 2023.	\$ 15,534,935	\$ 0	\$ 375,000	\$ 15,159,935
Intergovernmental payable	127,192	11,483	0	138,675
Capital lease payable	271,680	6,656	20,736	257,600
Compensated absences	<u>1,572,892</u>	<u>28,498</u>	<u>0</u>	<u>1,601,390</u>
	<u>\$ 17,506,699</u>	<u>\$ 46,637</u>	<u>\$ 395,736</u>	<u>\$ 17,157,600</u>

The annual requirements to amortize the bond outstanding as of June 30, 2001, including interest payments of \$11,893,384 are as follows:

Year Ending June 30,	
2002	\$ 1,169,677
2003	1,186,172
2004	1,196,173
2005	1,186,272
2006	1,185,793
Thereafter	<u>21,129,232</u>
Total	<u>\$ 27,053,319</u>

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

During the fiscal year, the District entered into a capitalized lease for a copier. The lease agreement is 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 \$404,374. 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 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, 2001:

Year Ending June 30,		
	2002	\$ 80,875
	2003	80,875
	2004	80,875
	2005	63,825
	2006	<u>1,717</u>
	Total Minimum Lease Payments	308,167
	Less: Amounts Representing Interest	<u>(50,567)</u>
	Present Value of Net Minimum	
	Lease Payments	<u>\$ 257,600</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.

Real property taxes collected in 2000 were based on assessed value equal to 35 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, 2000 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 2000 was \$35.60 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 \$31.76 for Coshocton, Ashland, Holmes, and Wayne Counties per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$32.23 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.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 8: PROPERTY TAXES (Continued)

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 2000 was \$35.60 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	\$159,942,170	\$3,484,980	\$4,345,600	\$1,211,170
Commercial/				
Industrial	27,238,680	190,540	18,880	36,250
Public utilities	26,380	9,930	0	0
Mineral	2,667,340	0	91,880	0
Tangible Personal				
Property				
General	20,531,280	260,037	27,412	1,530
Public Utilities	<u>18,200,620</u>	<u>2,161,450</u>	<u>350,060</u>	<u>309,900</u>
Total Valuation	<u>\$228,606,470</u>	<u>\$6,106,937</u>	<u>\$4,833,832</u>	<u>\$1,558,850</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2001. 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, 2001, were \$489,197, \$23,763, \$3,193 and \$8,798 from Holmes, Wayne, Coshocton, and Ashland Counties, respectively.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, 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, 2001, consisted mostly of property taxes which are considered collectible in full due to the ability to foreclose for nonpayment. Accounts receivable at June 30, 2001, consisted of tuition and fees in the general fund and charges for services in the internal service fund.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%; 10.5% was the portion 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, 2001, 2000, and 1999 were \$366,552, \$311,484 and \$279,252, respectively; 50% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001 of \$183,276 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, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 12.0% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,105,608, \$1,005,792 and \$961,992, respectively; 83% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001 of \$184,268 is recorded as a liability within the respective funds.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

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, 2001, all members of the Board of Education have elected Social Security. The District'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 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the District, this amount equaled \$355,374 during the 2001 fiscal year. For the fiscal year ended June 30, 2000 (the latest information available), net health care costs paid by STRS statewide were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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.

For this fiscal year, employer contributions to fund health care benefits were 8.45 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 the fiscal year 2001, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount to fund healthcare benefits, including surcharge, equaled \$252,002 during the 2001 fiscal year. The number of participants currently receiving health care benefits statewide is 50,000. For the fiscal year ended June 30, 2000 (the latest information available), net health care costs by SERS statewide were \$140,696,340 and the target level was \$211 million. SERS had net assets available for payment of health care benefits of \$252.3 million at June 30, 2000 (the latest information available).

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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 \$22,934.

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, 2001:

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$ 478,364	\$ 0	\$ 478,364
Operating Expenses, less Depreciation	738,626	0	738,626
Depreciation Expense	20,266	0	20,266
Operating Loss	(280,528)	0	(280,528)
Non-operating Grants	254,609	0	254,609
Other Income	9,230	0	9,230
Net Loss	(16,689)	0	(16,689)
Net Working Capital	173,994	6,353	180,347
Total Assets	748,039	6,353	754,392
Total Equity	593,796	6,353	600,149

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 Midland Council of Governments, located in Wooster, Ohio which serves as fiscal agent.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 14: JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 11 member school districts. The Career Center is governed by a board of education comprised of 11 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 \$100 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. Settlements have not exceeded insurance coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

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.

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 \$1,476,801. The liability for unpaid claims cost of \$308,210, is reported in the fund at June 30, 2001, in accordance with Government Accounting Standards Board Statement No. 10.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTES 15: RISK MANAGEMENT (Continued)

D. Employee Health Insurance (continued)

Changes in the fund's claims liability amount in 2000 and 2001 were:

	<u>Balance at Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance at End of Year</u>
2000	\$ 130,508	\$1,514,885	\$1,410,318	\$ 235,075
2001	\$ 235,075	\$1,602,339	\$1,443,666	\$ 393,748

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, 2001.

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, 2001.

NOTE 17: STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 17: STATE SCHOOL FUNDING DECISION (Continued)

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 14, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

NOTE 18: STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition</u>	<u>BWC Reserve (formerly Budget Stabilization)</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 2000	\$ 0	\$ 0	\$ 590,448	\$ 590,448
Current year set-aside requirement	305,252	305,252	0	610,504
Current year qualifying disbursements	(562,812)	(678,276)	0	(1,241,088)
Prior year excess qualifying disbursements	(189,500)	0	0	(189,500)
Elimination of the non-BWC portion of the budget stabilization reserve	<u>0</u>	<u>0</u>	<u>(519,778)</u>	<u>(519,778)</u>
Total	<u>\$ (447,060)</u>	<u>\$ (373,024)</u>	<u>\$ 70,670</u>	<u>\$ (749,414)</u>
Amount available to carryforward to FY 2002	<u>\$ (447,060)</u>	<u>\$ 0</u>	<u>\$ 70,670</u>	<u>\$ (749,414)</u>
Cash balance carried forward to FY 2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 70,670</u>	
Total restricted assets				<u>\$ 70,670</u>

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 18: STATUTORY RESERVES (Continued)

Effective April 10, 2001, the Ohio legislature passed Am. Sub. Senate Bill 345, that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A district may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2001 are classified in two categories: (1) Bureau of Workers' Compensation (BWC) refunds and (2) the balance of the reserve which does not represent BWC refunds. The statute includes specific purposes for which the monies representing BWC refunds can be used.

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements for future years.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refunds	<u>\$ 70,670</u>
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NOTE 19: CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". The statement establishes accounting and reporting guidelines for governments' decisions about when (in the fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. The implementation of GASB Statement No. 33 did not have a material effect on fund balance/retained earnings as previously reported as of June 30, 2000.

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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, 2001**

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						
<i>Passed through the Ohio Department of Education:</i>						
Child Nutrition Cluster: Food Distribution Program	Not Available	10.550	\$0	\$60,314	\$0	\$63,885
National School Lunch Program	LL-P1 2000 LL-P4 2000 LL-P1 2001 LL-P4 2001	10.555	25,803 9,494 158,214 50,167		25,803 9,494 158,214 50,167	
Total Child Nutrition Cluster / U.S. Department of Agriculture			243,678	60,314	243,678	63,885
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 1999 C C1-S1 2000 C1-S1 2001	84.010	54,965 32,700 423,889		2,411 97,532 352,235	
Total Title I Grants to Local Educational Agencies			511,554		452,178	
Special Education Cluster: Special Education Grants to States	6B-SF-1999 P 6B-SF-2000 P	84.027	8,925 204,594		31,330 177,580	
Total Special Education Cluster			213,519		208,910	
Drug Free School Program	DR-S1-2001	84.186	3,307		3,307	
Goals 2000 State and Local Education System	G2-S5-2000	84.276			7,993	
Eisenhower Professional Development State Grant	MS-S1-1999 C MS-S1-2000 MS-S1-2001	84.281	(3,653) 10,697		2,825 2,168 7,397	
Total Eisenhower Professional Development State Grant			7,044		12,390	
Innovative Education Program Strategies	C2-S1-1999 C C2-S1-2001	84.298	1,812 13,155		13,155	
Total Innovative Education Program Strategies			14,967		13,155	
Class Size Reduction Subsidy	CR-S1-2000 CR-S1-2001	84.340	61,829		13,645 46,337	
Total Class Size Reduction Subsidy			61,829		59,982	
Total U.S. Department of Education			812,220		757,915	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	8,171		8,171	
Totals			<u>\$1,064,069</u>	<u>\$60,314</u>	<u>\$1,009,764</u>	<u>\$63,885</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, 2001**

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

Non-monetary 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, 2001, the District had \$22,934 of food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter date December 14, 2001.

Internal Control Over Financial Reporting

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

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 14, 2001.

This report is intended 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.

Jim Petro
Auditor of State

December 14, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 program for the year ended June 30, 2001.

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.

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 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.

Jim Petro
Auditor of State

December 14, 2001

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2001**

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):	Title I Grants to Local Educational Agencies CFDA No. 84.010
(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



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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 10, 2002**