

**West Holmes
Local School District**

Audited Financial Statements

June 30, 2008



Mary Taylor, CPA
Auditor of State

Board of Education
West Holmes Local School District
28 West Jackson Street
Millersburg, Ohio 44654

We have reviewed the *Independent Auditor's Report* of the West Holmes Local School District, Holmes County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The West Holmes Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2009

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WEST HOLMES LOCAL SCHOOL DISTRICT

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WEST HOLMES LOCAL SCHOOL DISTRICT

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 18, 2008

The Board of Education
West Holmes Local School District
28 W. Jackson Street
Millersburg, OH 44654

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Holmes Local School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund 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 18, 2008 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rea & Associates, Inc.

West Holmes Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The discussion and analysis of the West Holmes Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- General Revenues accounted for \$19,895,781 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,560,603 or 19 percent of total revenues of \$24,456,384.
- Total program expenses were \$24,385,063.
- In total, net assets increased \$71,321, which represents less than a 1 percent increase from 2007.
- Outstanding debt decreased from \$12,995,052 to \$12,653,198 through the payment of bond principal.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the West Holmes Local School District, the general and bond retirement funds are the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

The government-wide financial statements begin on page 11.

West Holmes Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 13.

Proprietary Funds - The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominantly benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements begin on page 18.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used to proprietary funds.

The fiduciary fund financial statements begin on page 21.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22.

West Holmes Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

Table 1
Net Assets
Governmental Activities

	2008	2007
Assets		
Current and Other Assets	\$ 20,986,733	\$ 20,055,018
Capital Assets	23,485,585	23,795,273
<i>Total Assets</i>	44,472,318	43,850,291
Liabilities		
Long-Term Liabilities	15,094,784	15,278,767
Other Liabilities	10,537,489	9,802,800
<i>Total Liabilities</i>	25,632,273	25,081,567
Net Assets		
Invested in Capital		
Assets Net of Debt	11,333,347	10,959,208
Restricted	2,048,224	2,120,660
Unrestricted (Deficit)	5,458,474	5,688,856
<i>Total Net Assets</i>	\$ 18,840,045	\$ 18,768,724

Total assets increased by \$622,027. This is primarily a result of an increase in equity in pooled cash and cash equivalents due to receipts increasing faster than disbursements. The net assets of the School District's governmental activities increased \$71,321 due to the increase in liabilities. The increase in liabilities is primarily due to an increase in deferred revenue due to a decrease in the amount of property taxes available for advance to the School District at year end.

West Holmes Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

Table 2 shows the changes in net assets for fiscal year 2008 and 2007.

Table 2
Change in Net Assets
Governmental Activities

	2008	2007
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,290,589	\$ 1,325,229
Operating Grants	3,178,872	3,266,293
Capital Grants	91,142	121,890
<i>General Revenue:</i>		
Property Taxes	7,814,039	8,931,652
Grants and Entitlements	11,400,778	11,231,309
Other	680,964	468,563
Total Revenues	24,456,384	25,344,936
Program Expenses		
Instruction	14,229,545	13,020,109
Support Services	7,735,876	7,326,792
Operation of Non-Instructional	1,058,035	977,199
Extracurricular Activities	565,638	517,674
Interest and Fiscal Charges	795,969	696,513
Total Expenses	24,385,063	22,538,287
Increase in Net Assets	\$ 71,321	\$ 2,806,649

Governmental Activities

The vast majority of revenues supporting governmental activities are general revenues. General revenues decreased from \$20,631,524 in fiscal year 2007 to \$19,895,781 in fiscal year 2008. The primary source of this decrease was a decrease in property tax revenue.

A review of Table 2 shows that the total cost of instructional services was \$14,229,545 or 58 percent of governmental program expenses. Instructional expenses increased \$1,209,436 from fiscal year 2007 to 2008. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil.

The expense for support services total \$7,735,876 or 32 percent of total revenues. Support services consist of pupil services and instructional staff which include the activities involved in assisting staff and the content and process of teaching to pupils, along with Board of education, administration, fiscal and business classifications which reflect expenses associates with establishing and administering school policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District.

West Holmes Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2008	2007	2008	2007
	Total Cost of Service	Total Cost of Service	Net Cost of Service	Net Cost of Service
Instruction	\$ 14,229,545	\$ 13,020,109	\$ (11,612,891)	\$ (10,041,023)
Support Services:				
Pupil and Instructional Staff	1,350,301	1,394,085	(1,029,621)	(1,033,841)
Board of Education, Administration, Fiscal, and Business	2,609,947	2,296,515	(2,472,051)	(2,287,126)
Operation and Maintenance of Plant and Central	2,150,204	2,136,187	(2,057,953)	(2,025,234)
Pupil Transportation	1,625,424	1,500,005	(1,605,533)	(1,466,418)
Operation of Non-Instructional	1,058,035	977,199	(15,515)	(37,520)
Extracurricular Activities	565,638	517,674	(234,927)	(237,200)
Interest and Fiscal Charges	795,969	696,513	(795,969)	(696,513)
Total	<u>\$ 24,385,063</u>	<u>\$ 22,538,287</u>	<u>\$ (19,824,460)</u>	<u>\$ (17,824,875)</u>

Program revenues include charges for services, grants and contributions that are program specific. Property taxes made up 32 percent of total revenues for governmental activities for the School District in fiscal year 2008. Program revenues for governmental activities provided 19 percent of governmental revenues with 81 percent of all governmental activities supported through property taxes, grants and entitlements and other general revenues. The grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

Governmental Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting.

All governmental funds had total revenues, including other financing sources, of \$24,145,953 and expenditures, including other financing uses of \$24,830,194 for fiscal year 2008.

General Fund

The School District's general fund balance decreased \$254,632 primarily due to increased deferred revenue, which was a result of a decrease in the amount of property taxes available for advance to the School District at year end.

West Holmes Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the School District did modify its general fund estimated resources and appropriations. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue, including other financing sources of \$20,377,772 was \$319,659 over the original budget estimate of \$20,058,113. The majority of this increase is due to an underestimation of advances in. Final appropriations, including other financing uses of \$20,559,384 were \$574,474 greater than the \$19,984,910 in the original appropriations. This increase is mainly attributable to an increase in the appropriations for salaries and wages.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$23,485,585 invested in land, buildings, equipment, vehicles and infrastructure. Table 4 shows fiscal year 2008 balances compared with 2007.

Table 4
Capital Assets at June 30
(Net of Depreciation)
Governmental Activities

	2008	2007
Land	\$ 643,088	\$ 643,088
Buildings and Improvements	21,995,761	22,258,324
Furniture and Equipment	333,817	384,373
Vehicles	487,005	483,048
Infrastructure	25,914	26,440
Totals	\$ 23,485,585	\$ 23,795,273

The \$309,688 decrease in capital assets was attributable to current year depreciation expense exceeding current year purchases. See Note 8 for additional information.

West Holmes Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

Set-asides

Senate Bill 345 requires the School District to set aside \$162.09 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2008, this amounted to \$433,675 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for both set asides.

Debt

At June 30, 2008, the School District had \$12,653,198 in bonds outstanding with \$660,000 due within one year. During fiscal year 2008, \$640,000 of general obligation bonds were retired and \$298,146 of interest was accreted on capital appreciation bonds. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt, at June 30
Governmental Activities

	2008	2007
General Obligation Bonds:		
2005 School Improvement Refunding Bonds:		
Serial and Term Bonds	\$ 11,945,000	\$ 12,585,000
Capital Appreciation Bonds	708,198	410,052
Total	\$ 12,653,198	\$ 12,995,052

In 1996, the residents of the West Holmes Local School District passed a bond issue providing \$16,149,935 for the purpose of constructing a new High School and classroom additions to four of the existing elementary schools. In March of 2005, the School District refinanced the outstanding bonds issued in 1997 for a savings of \$948,518 to maturity, which remains at 12/1/2023. See Note 12 for additional information.

Current Issues

The West Holmes Local School District has secured its future based on current regulations and legislation for the next five years as a result of passing a new operating levy on August 5, 2008. This was the first voted additional operating dollars from a tax levy for the district since 1994. After repeated levy attempts by the district, rounds of budget cuts were done. Over 25 positions were cut in the district resulting in a bottom line savings of over \$3.5 million to date. There are no immediate plans to reinstate those positions but to look at the educational needs to serve our 2625 students each year and make decisions accordingly.

West Holmes Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

The School District receives 60 percent of its General Fund revenue from State and Federal sources and 40 percent from local sources. With the School District so dependent on State revenue, the State Legislation's decision regarding what kind of school funding system will be put into affect for the future is very important to the School District.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth, which allows the School District to receive Parity Aid. Following the passage of House Bill 66 and the changes in the funding of parity aid, it is now funded at the maximum level to the West Holmes Local School District. The School District was put on the state guarantee in Fiscal Year 2007 which simply means the School District will be funded at the same level as the prior year, resulting in no increase to the School District's main revenue source.

The School District has controlled expenses very well in tough economic times where all costs are increasing. This has become more difficult with the many mandates and rising utility costs, increased special education services required for our students, and significant increases in all services due to the economy. The changes in the health care plan effective for Fiscal Year 2005 improved the School District's financial position in terms of employee benefits. The School District had a 10 percent increase in premiums for Fiscal Year 2006 and after having one of the best year's the School District has seen for a while, were quoted a 1 percent increase by Aultcare for Fiscal Year 2007. For Fiscal Year 2008 and 2009, the district received no increase in medical insurance benefits from Aultcare. The district negotiated with both the teachers and classified employees unions a maximum of a ten percent allowed increase from Aultcare to maintain the current benefit. This allows the School District to control health care costs at a rate lower than industry trends for medical insurance.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The school district is very fortunate to receive the federal dollars to put toward the necessary programs in order to address student achievement as required by the Ohio Department of Education and the Federal Department of Education. These dollars are given to the School District but are earmarked towards student intervention and improvement of programs for the students. Federal law does not allow the School District to use these dollars for existing general fund expenditures. These dollars have led to the improvement of the School District's report card rating and performance index scores. The School District went from a performance index of 81.3 in 2002-2003 to 96.4 in 2005-2006.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jamie Zeigler, Treasurer of West Holmes Local School District, 28 West Jackson Street, Millersburg, Ohio 44654.

West Holmes Local School District
Statement of Net Assets
June 30, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 12,345,251
Receivables:	
Taxes	7,912,747
Accounts	736
Accrued Interest	121,753
Intergovernmental	320,856
Inventory Held For Resale	22,709
Materials and Supplies	91,186
Deferred Charges	171,495
Nondepreciable Capital Assets	643,088
Depreciable Capital Assets (Net)	22,842,497
<i>Total Assets</i>	44,472,318
Liabilities	
Accounts Payable	90,465
Accrued Wages and Benefits	2,081,775
Accrued Vacation Payable	202,118
Intergovernmental Payable	548,076
Matured Compensated Absences Payable	23,031
Deferred Revenue	7,382,022
Accrued Interest Payable	40,277
Claims Payable	169,725
Long Term Liabilities:	
Due Within One Year	723,512
Due In More Than One Year	14,371,272
<i>Total Liabilities</i>	25,632,273
Net Assets	
Invested in Capital Assets, Net of Related Debt	11,333,347
Restricted for:	
Capital Projects	872,311
Debt Service	971,258
Other Purposes	204,655
Unrestricted	5,458,474
<i>Total Net Assets</i>	\$ 18,840,045

See accompanying notes to the basic financial statements.

West Holmes Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 10,913,964	\$ 434,905	\$ 179,151	\$ 0	\$ (10,299,908)
Special	3,025,822	37,907	1,895,453	0	(1,092,462)
Vocational	289,759	0	69,238	0	(220,521)
Support Services:					
Pupils	845,625	0	164,938	0	(680,687)
Instructional Staff	504,676	0	155,742	0	(348,934)
Board of Education	78,180	0	0	0	(78,180)
Administration	1,985,516	0	128,656	0	(1,856,860)
Fiscal	534,052	0	9,240	0	(524,812)
Business	12,199	0	0	0	(12,199)
Operation and Maintenance of Plant	2,063,130	0	0	71,251	(1,991,879)
Pupil Transportation	1,625,424	0	0	19,891	(1,605,533)
Central	87,074	0	21,000	0	(66,074)
Operation of Non-Instructional Services:					
Food Service Operations	1,009,409	510,795	531,725	0	33,111
Community Services	48,626	0	0	0	(48,626)
Extracurricular Activities	565,638	306,982	23,729	0	(234,927)
Interest and Fiscal Charges	795,969	0	0	0	(795,969)
<i>Total Governmental Activities</i>	<u>\$ 24,385,063</u>	<u>\$ 1,290,589</u>	<u>\$ 3,178,872</u>	<u>\$ 91,142</u>	<u>(19,824,460)</u>
 General Revenues					
Property Taxes Levied for:					
General Purposes					6,519,481
Debt Service					908,423
Capital Outlay					386,135
Grants and Entitlements not Restricted to Specific Programs					11,400,778
Investment Earnings					604,339
Miscellaneous					76,625
<i>Total General Revenues</i>					<u>19,895,781</u>
<i>Change in Net Assets</i>					71,321
<i>Net Assets Beginning of Year</i>					<u>18,768,724</u>
<i>Net Assets End of Year</i>					<u>\$ 18,840,045</u>

See accompanying notes to the basic financial statements.

West Holmes Local School District

*Balance Sheet
Governmental Funds
June 30, 2008*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 8,169,377	\$ 2,251,050	\$ 10,420,427
Receivables:			
Taxes	6,634,380	1,278,367	7,912,747
Accounts	736	0	736
Accrued Interest	121,753	0	121,753
Intergovernmental	0	320,856	320,856
Inventory Held For Resale	0	22,709	22,709
Materials and Supplies	84,960	6,226	91,186
Advances to Other Funds	250,000	0	250,000
<i>Total Assets</i>	<u>\$ 15,261,206</u>	<u>\$ 3,879,208</u>	<u>\$ 19,140,414</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 58,174	\$ 32,291	\$ 90,465
Accrued Wages and Benefits	1,821,883	259,892	2,081,775
Intergovernmental Payable	475,044	73,032	548,076
Matured Compensated Absences Payable	23,031	0	23,031
Deferred Revenue	6,453,598	1,411,631	7,865,229
<i>Total Liabilities</i>	<u>8,831,730</u>	<u>1,776,846</u>	<u>10,608,576</u>
Fund Balances			
Reserved for Encumbrances	248,196	217,996	466,192
Reserved for Property Taxes	284,958	54,959	339,917
Reserved for Advances	250,000	0	250,000
Unreserved: Undesignated, Reported in:			
General Fund	5,646,322	0	5,646,322
Special Revenue Funds	0	194,665	194,665
Debt Service Fund	0	950,902	950,902
Capital Projects Funds	0	683,840	683,840
<i>Total Fund Balances</i>	<u>6,429,476</u>	<u>2,102,362</u>	<u>8,531,838</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 15,261,206</u>	<u>\$ 3,879,208</u>	<u>\$ 19,140,414</u>

See accompanying notes to the basic financial statements.

West Holmes Local School District
*Reconciliation of Total Fund Balances to
Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances	\$	8,531,838
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		23,485,585
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	\$ 188,223	
Accrued Interest	104,176	
Delinquent Property Taxes	190,808	483,207
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,505,099
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		171,495
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is not recorded.		(40,277)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Vacation Payable	(202,118)	
Compensated Absences	(2,167,838)	
General Obligation Bonds	(11,945,000)	
Capital Appreciation Bonds	(104,986)	
Accretion on Capital Appreciation Bonds	(603,212)	
Refunding Loss	669,433	
Unamortized Bond Premium	(840,940)	
Capital Leases Payable	(102,241)	(15,296,902)
 Net Assets of Governmental Activities	 \$	 <u>18,840,045</u>

See accompanying notes to the basic financial statements.

West Holmes Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 6,481,554	\$ 1,289,453	\$ 7,771,007
Intergovernmental	12,066,330	2,387,299	14,453,629
Investment Income	498,586	1,577	500,163
Tuition and Fees	459,061	2,000	461,061
Extracurricular Activities	33,365	271,736	305,101
Rentals	9,413	4,221	13,634
Charges for Services	0	510,795	510,795
Contributions and Donations	0	23,361	23,361
Miscellaneous	50,837	31,365	82,202
<i>Total Revenues</i>	<u>19,599,146</u>	<u>4,521,807</u>	<u>24,120,953</u>
Expenditures			
Current:			
Instruction:			
Regular	10,347,165	197,133	10,544,298
Special	1,783,665	1,258,649	3,042,314
Vocational	270,895	0	270,895
Support Services:			
Pupils	695,597	170,774	866,371
Instructional Staff	441,573	82,973	524,546
Board of Education	78,180	0	78,180
Administration	1,772,846	251,864	2,024,710
Fiscal	490,651	47,857	538,508
Business	1,440	0	1,440
Operation and Maintenance of Plant	1,988,401	0	1,988,401
Pupil Transportation	1,578,029	74,387	1,652,416
Central	63,138	23,654	86,792
Operation of Non-Instructional Services:			
Food Service Operations	0	987,692	987,692
Community Services	47,905	0	47,905
Extracurricular Activities	218,970	255,074	474,044
Capital Outlay	0	493,433	493,433
Debt Service:			
Principal Retirement	43,826	640,000	683,826
Interest and Fiscal Charges	6,497	492,926	499,423
<i>Total Expenditures</i>	<u>19,828,778</u>	<u>4,976,416</u>	<u>24,805,194</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(229,632)</u>	<u>(454,609)</u>	<u>(684,241)</u>
Other Financing Source (Use)			
Transfers In	0	25,000	25,000
Transfers Out	(25,000)	0	(25,000)
<i>Total Other Financing Source (Use)</i>	<u>(25,000)</u>	<u>25,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(254,632)	(429,609)	(684,241)
<i>Fund Balance Beginning of Year</i>	<u>6,684,108</u>	<u>2,531,971</u>	<u>9,216,079</u>
<i>Fund Balance End of Year</i>	<u>\$ 6,429,476</u>	<u>\$ 2,102,362</u>	<u>\$ 8,531,838</u>

See accompanying notes to the basic financial statements.

West Holmes Local School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (684,241)

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

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	\$ 577,995	
Current Year Depreciation	<u>(887,683)</u>	(309,688)

Other revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants	188,223	
Accrued Interest	104,176	
Delinquent Property Taxes	<u>43,032</u>	335,431

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond Principal	640,000	
Capital Leases	<u>43,826</u>	683,826

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,600

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Bond Premium Amortization	(53,393)	
Accrued Vacation Payable	36,821	
Compensated Absences	(212,586)	
Bond Issuance Costs Amortization	10,889	
Refunding Loss Amortization	42,504	
Capital Appreciation Bond Accretion	<u>(298,146)</u>	(473,911)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities. 518,304

Change in Net Assets of Governmental Activities \$ 71,321

See accompanying notes to the basic financial statements.

West Holmes Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 7,029,783	\$ 7,045,145	\$ 7,045,145	\$ 0
Intergovernmental	12,097,830	12,066,330	12,066,330	0
Investment Income	432,310	481,009	481,009	0
Tuition and Fees	412,397	458,900	458,900	0
Extracurricular Activities	8,468	9,413	9,413	0
Rentals	29,962	33,365	33,365	0
Miscellaneous	47,363	52,722	52,722	0
<i>Total Revenues</i>	20,058,113	20,146,884	20,146,884	0
Expenditures				
Current:				
Instruction:				
Regular	10,367,666	10,684,796	10,437,463	247,333
Special	1,750,782	1,804,336	1,762,569	41,767
Vocational	281,289	289,894	283,183	6,711
Support Services				
Pupils	695,339	716,608	700,020	16,588
Instructional Staff	439,199	452,634	442,156	10,478
Board of Education	78,296	80,691	78,823	1,868
Administration	1,839,476	1,895,743	1,851,860	43,883
Fiscal	492,127	507,180	495,440	11,740
Business	1,430	1,474	1,440	34
Operation and Maintenance of Plant	2,031,775	2,093,924	2,045,453	48,471
Pupil Transportation	1,594,004	1,642,762	1,604,735	38,027
Central	87,863	90,551	88,455	2,096
Operation of Non-Instructional Services:				
Community Services	46,741	48,171	47,056	1,115
Extracurricular Activities	218,923	225,620	220,397	5,223
<i>Total Expenditures</i>	19,924,910	20,534,384	20,059,050	475,334
<i>Excess of Revenues Over (Under) Expenditures</i>	133,203	(387,500)	87,834	475,334
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	25,000	22,751	(2,249)
Advances In	0	205,888	205,888	0
Advances Out	(60,000)	0	0	0
Transfers Out	0	(25,000)	(25,000)	0
<i>Total Other Financing Sources (Uses)</i>	(60,000)	205,888	203,639	(2,249)
<i>Net Change in Fund Balance</i>	73,203	(181,612)	291,473	473,085
<i>Fund Balance Beginning of Year</i>	7,097,605	7,097,605	7,097,605	0
Prior Year Encumbrances Appropriated	475,113	475,113	475,113	0
<i>Fund Balance End of Year</i>	\$ 7,645,921	\$ 7,391,106	\$ 7,864,191	\$ 473,085

See accompanying notes to the basic financial statements.

West Holmes Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,924,824</u>
Liabilities	
<i>Current Liabilities:</i>	
Claims Payable	<u>169,725</u>
<i>Long Term Liabilities:</i>	
Advances From Other Funds	<u>250,000</u>
<i>Total Liabilities</i>	<u>419,725</u>
Net Assets	
Unrestricted	<u><u>\$ 1,505,099</u></u>

See accompanying notes to the basic financial statements.

West Holmes Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2008

	Governmental Activities - Internal Service Fund
Operating Revenue	
Charges for Services	\$ 2,913,128
Operating Expenses	
Purchased Services	446,539
Claims	1,948,285
<i>Total Operating Expenses</i>	2,394,824
<i>Change in Net Assets</i>	518,304
<i>Net Assets Beginning of Year</i>	986,795
<i>Net Assets End of Year</i>	\$ 1,505,099

See accompanying notes to the basic financial statements.

West Holmes Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 2,913,128
Cash Paid for Goods and Services	(446,539)
Cash Paid for Claims	<u>(1,887,770)</u>
<i>Net Cash Provided By Operating Activities</i>	<u>578,819</u>
Cash Flows From Non-Capital Financing Activities	
Advances to Other Funds	<u>(150,000)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	428,819
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,496,005</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 1,924,824</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	\$ 518,304
Adjustment:	
Increase in Claims Payable	<u>60,515</u>
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ 578,819</u></u>

See accompanying notes to the basic financial statements.

West Holmes Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 94,078
	<hr/>
Liabilities	
Accounts Payable	\$ 874
Due to Students	93,204
	<hr/>
<i>Total Liabilities</i>	<u>\$ 94,078</u>

See accompanying notes to the basic financial statements.

West Holmes Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 – Description of the School District and Reporting Entity

The West Holmes Local School District (the “School 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 School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2007, was 2557. The School District employs 187 certificated and 121 non-certificated employees.

Reporting Entity

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

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

The School District is 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 financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict or contradict GASB pronouncements. The most significant of the School District’s accounting policies are described below.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

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

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Proprietary Fund Type Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee health benefits.

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

C. Measurement Focus

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

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

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School 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 the taxes are levied (see note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School 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 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, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2008, investments were limited to certificates of deposit, money market accounts, and STAROhio.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$498,586 with \$139,530 assigned from other funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

G. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

H. Deferred Charges

On the governmental fund statements, bond issuance costs are recorded as an expenditure when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from the effective interest method.

I. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	10 Years
Infrastructure	10 - 50 Years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "advances to / from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee will be paid.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

M. Interfund Activity

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2008, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves

The School District reserves those 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 appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes and advances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that is the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as non-operating.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

R. Estimates

The preparation of 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 may differ from those estimates.

S. Changes in Accounting Principles

For the year ended 2008, the School District has implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*", GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*", GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*", and GASB Statement No. 50, "*Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.*"

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*”, and GASB Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers*”, to conform with requirements of GASB Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, and GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

Note 3 – Accountability

Fund balances at June 30, 2008 included the following individual fund deficits:

<i>Nonmajor Special Revenue Funds:</i>	
Title I	\$9,231
Improving Teacher Quality	1,999

The deficits in the nonmajor funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

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West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$ (254,632)
Net Adjustment for Revenue Accruals	570,489
Advances In	205,888
Net Adjustment for Expenditure Accruals	74,914
Adjustment for Encumbrances	<u>(305,186)</u>
Budget Basis	<u><u>\$ 291,473</u></u>

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five 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 of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 5 - Deposits and Investments (Continued)

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

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

- 1) United States Treasury Notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding thirty days;
- 4) Bonds and other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6) The State Treasurer's investment pool (Star Ohio);
- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, 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 West Holmes Local School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 5 - Deposits and Investments (Continued)

According to State law, public depositors must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2008, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$11,619,848. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, \$11,180,157 of the School District's bank balance of \$11,722,503 was exposed to custodial risk as discussed above, while \$542,346 was covered by Federal Deposit Insurance Corporation.

Investments

As of June 30, 2008, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
STAROhio	<u>\$ 819,481</u>	<u>\$ 819,481</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to two years or less for investments with a fixed interest rate, and one year or less for investments with a variable interest rate.

Credit Risk. Standard & Poor's has assigned STAROhio an AAAM rating.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 5 - Deposits and Investments (Continued)

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAROhio	<u>\$ 819,481</u>	<u>100%</u>

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State Law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2006. For 2008, tangible personal property is assessed at 6.25 percent and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 6 - Property Taxes (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Holmes, Wayne, Coshocton and Ashland County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$339,917 and is recognized as revenue. \$284,958 was available to the general fund, \$38,834 was available to the bond retirement debt service fund and \$16,125 was available to the permanent improvement capital projects fund reported with other governmental funds.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 6 - Property Taxes (Continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second-Half Collections		2008 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential/Agricultural	\$ 233,222,070	74%	\$ 254,734,470	77%
Commercial/Industrial	41,542,960	13%	39,565,080	12%
Public Utilities	44,770	0%	125,630	0%
Mineral	2,580,510	1%	1,999,050	1%
Tangible Personal Property:				
General	19,362,230	6%	13,295,490	4%
Public Utilities	19,651,180	6%	18,287,220	6%
Total Capital Assets, Net	<u>\$ 316,403,720</u>	<u>100%</u>	<u>\$ 328,006,940</u>	<u>100%</u>
Tax rate per \$1,000 of assessed value	<u>\$ 32.90</u>		<u>\$ 32.40</u>	

Note 7 - Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (fees), interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All are expected to be received within one year

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West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance 07/01/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/2008</u>
Governmental Activities				
<i>Capital Assets, not Being Depreciated</i>				
Land	\$ 643,088	\$ 0	\$ 0	\$ 643,088
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	31,270,284	409,901	0	31,680,185
Furniture and Equipment	1,284,833	18,670	0	1,303,503
Vehicles	2,103,771	149,424	(86,904)	2,166,291
Infrastructure	56,366	0	0	56,366
<i>Total Capital Assets, Being Depreciated</i>	<u>34,715,254</u>	<u>577,995</u>	<u>(86,904)</u>	<u>35,206,345</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(9,011,960)	(672,464)	0	(9,684,424)
Furniture and Equipment	(900,460)	(69,226)	0	(969,686)
Vehicles	(1,620,723)	(145,467)	86,904	(1,679,286)
Infrastructure	(29,926)	(526)	0	(30,452)
<i>Total Accumulated Depreciation</i>	<u>(11,563,069)</u>	<u>(887,683) *</u>	<u>86,904</u>	<u>(12,363,848)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>23,152,185</u>	<u>(309,688)</u>	<u>0</u>	<u>22,842,497</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 23,795,273</u>	<u>\$ (309,688)</u>	<u>\$ 0</u>	<u>\$ 23,485,585</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 479,085
Special	2,017
Vocational	20,174
Support Services:	
Pupil	4,837
Instructional Staff	3,950
Administration	19,340
Fiscal	4,035
Business	10,759
Operation and Maintenance of Plant	28,980
Pupil Transportation	155,554
Operation of Non-Instructional Services	41,423
Extracurricular Activities	117,529
<i>Total Depreciation</i>	<u>\$ 887,683</u>

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident. The School District's vehicle insurance policy limit is \$1,000,000 with a \$1,000 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the School District carries a \$1,000,000 blanket umbrella policy. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 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.

The Superintendent has a \$25,000 position bond. The Treasurer is covered under a surety bond in the amount of \$50,000.

B. Employee Medical Benefits

The School 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 \$60,000, and aggregate claims in excess of \$2,874,862. The liability for unpaid claims cost of \$169,725 is reported in the fund at June 30, 2008 in accordance with Government Accounting Standards Board Statement No. 10.

Changes in the fund's claims liability amount in 2008 and 2007 were:

	Balance at Beginning of Year	Claims	Payments	Balance at End of Year
2007	\$ 171,334	\$ 1,865,292	\$ 1,927,416	\$ 109,210
2008	\$ 109,210	\$ 1,948,285	\$ 1,887,770	\$ 169,725

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 10 - Defined Benefit Pension Plans (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$429,036, \$411,308 and \$414,375, respectively; 48 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 10 - Defined Benefit Pension Plans (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,364,136, \$1,311,394 and \$1,400,826, respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

C. Social Security System

Effective July 1, 1991, board members 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, 2008, all members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$97,438, \$93,671 and \$100,059, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 11 - Postemployment Benefits (Continued)

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68 percent. The School District's contributions for the year ended June 30, 2008 were \$20,839, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 3.32 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$143,568, \$155,948 and \$158,525, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 12 - Long - Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 6/30/2007	Additions	Reductions	Outstanding 6/30/2008	Amounts Due in One Year
Governmental Activities:					
<i>2005 School Improvement</i>					
<i>Refunding Bonds \$13,114,986</i>					
Current Interest Bonds - \$13,010,000 @ 3% -5.5%	\$ 12,585,000	\$ 0	\$ (640,000)	\$ 11,945,000	\$ 0
Capital Appreciation Bonds - \$104,986 @ 3.13%-3.52%	104,986	0	0	104,986	79,160
Accretion of Interest	305,066	298,146	0	603,212	580,840
Premium	894,333	0	(53,393)	840,940	0
Refunding Loss	(711,937)	0	42,504	(669,433)	0
Capital Leases Payable	146,067	0	(43,826)	102,241	48,523
Compensated Absences	1,955,252	348,315	(135,729)	2,167,838	14,989
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 15,278,767</u>	<u>\$ 646,461</u>	<u>\$ (830,444)</u>	<u>\$ 15,094,784</u>	<u>\$ 723,512</u>

On March 23, 2005, the School District issued \$13,114,986 of general obligation bonds. The bonds advance refunded \$13,115,000 of outstanding 1997 School Improvement General Obligation Bonds. The bonds were issued for a 19 year period with final maturity at December 1, 2023. At the date of refunding, \$13,922,570 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1997 School Improvement Bonds.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 12 - Long - Term Obligations (Continued)

These refunding bonds were issued with a premium of \$1,104,468 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method; the amortization of the premium for fiscal year 2008 was \$53,393. The issuance costs of \$206,884 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method, the amortization of the issuance costs for fiscal year 2008 was \$10,889. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$807,570. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method, the amortization of this difference for fiscal year 2008 was \$42,504. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$948,518. The issuance resulted in an economic gain of \$678,264. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental column of the statement of net assets. The principal balance outstanding on the defeased bonds was \$12,090,000 at June 30, 2008.

The 2005 bond issue consists of current interest, current interest term, and capital appreciation bonds. The capital appreciation bonds are not subject to early redemption. The current interest bonds maturing on and after December 1, 2015, are subject to optional prior redemption by the School District prior to maturity, beginning December 1, 2014. The current interest term bonds are subject to mandatory sinking fund redemption requirements.

The capital appreciation bonds for the 2005 issue mature December 1, 2008 and December 1, 2010. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holders receive the face value of the bond. As the value of the bond increases, the accretion is reflected as a long-term liability. The maturity amount of the bonds is \$1,340,000. For fiscal year 2008, \$298,146 was accreted for a total bond liability of \$708,198.

General obligation and capital appreciation bonds will be paid from the debt service fund. Compensated absences will be paid from the general and food service funds, which has been the policy in prior years. Capital leases will be paid from the general fund.

2005 School Improvement Refunding Bonds

Fiscal Year	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2009	\$ 0	\$ 483,326	\$ 79,160	\$ 580,840	\$ 79,160	\$ 1,064,166
2010	660,000	472,601	0	0	660,000	472,601
2011	0	461,876	25,826	654,174	25,826	1,116,050
2012	680,000	448,276	0	0	680,000	448,276
2013	705,000	422,779	0	0	705,000	422,779
2014-2018	3,945,000	1,698,188	0	0	3,945,000	1,698,188
2019-2023	4,855,000	762,739	0	0	4,855,000	762,739
2024	1,100,000	23,375	0	0	1,100,000	23,375
	<u>\$ 11,945,000</u>	<u>\$ 4,773,160</u>	<u>\$ 104,986</u>	<u>\$ 1,235,014</u>	<u>\$ 12,049,986</u>	<u>\$ 6,008,174</u>

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 13 – Capital Leases

In prior years the School District entered into capitalized leases for copiers. The total capitalized cost of the copiers is \$221,402. 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. Capital assets acquired by the leases have been capitalized in the General Fund 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 Government-wide financial statements.

The following summarizes future minimum lease payments under the above capital leases, and the present values of net minimum lease payments at June 30, 2008:

	2009	\$	50,323
	2010		54,517
Total Minimum Lease Payments			104,840
Less: Amounts Representing Interest			(2,599)
Present Value of Net Minimum Lease Payments		\$	102,241

Note 14 - Jointly Governed Organizations

A. Tri-County Computer Service Association (TCCSA)

TCCSA is a jointly governed organization comprised of 23 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 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 School District’s continued participation and no measurable equity interest exists.

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 15 – Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not currently a party to any significant legal proceedings.

Note 16 - Set-Asides

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

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

	<u>Capital Improvement</u>	<u>Textbook Instructional Materials</u>
Set-Aside Reserve Balance as of June 30, 2007	\$ 0	\$ (446,672)
Current Year Set-Aside Requirement	433,675	433,675
Qualifying Disbursements	<u>(490,165)</u>	<u>(468,138)</u>
Totals	<u>\$ (56,490)</u>	<u>\$ (481,135)</u>
Set-Aside Reserve Balance Carried Forward to Future Fiscal Years	<u>\$ 0</u>	<u>\$ (481,135)</u>
Set-Aside Reserve Balance as of June 30, 2008	<u>\$ 0</u>	<u>\$ 0</u>

West Holmes Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 16 - Set-Asides (Continued)

The School District had qualifying disbursements during the year that reduced the textbook reserve set-asides below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvement set-aside, this amount may not be used to reduce the set-aside requirement for future years.

Note 17 – Interfund Activity

A. Interfund Balances

At June 30, 2008, the School District had the following interfund balances:

	Advances to Other Funds	Advances from Other Funds
General	\$ 250,000	\$ 0
Internal Service	0	250,000
	\$ 250,000	\$ 250,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30, 2008. The outstanding advances are expected to be repaid once the anticipated revenues are received.

B. Interfund Transfers

During the fiscal year, the General Fund transferred \$25,000 to the Food Service Fund to provide additional resources for current operations.



December 18, 2008

To the Board of Education
West Holmes Local School District
Holmes County, Ohio
28 W. Jackson Street
Millersburg, OH 44654

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Holmes Local School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 18, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Holmes Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Holmes Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the District in a separate letter dated December 18, 2008.

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

Rea & Associates, Inc.



December 18, 2008

The Board of Education
West Holmes Local School District
28 W. Jackson Street
Millersburg, OH 44654

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the West Holmes Local School 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, 2008. West Holmes Local School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the West Holmes Local School District's management. Our responsibility is to express an opinion on West Holmes Local School 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 Circulars A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Holmes Local School 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 West Holmes Local School District's compliance with those requirements.

In our opinion, West Holmes Local School 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, 2008.

Internal Control Over Compliance

The management of the West Holmes Local School 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 West Holmes Local School 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Holmes Local School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Education, management 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.

Hea & Associates, Inc.

**WEST HOLMES LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	84.010	2007	\$ 116,154	\$ 127,036	\$ 0
Title I	84.010	2008	838,937	800,518	0
Total Title I			955,091	927,554	0
<i>Special Education - Grants to States</i>					
IDEA-B	84.027	2007	73,396	73,119	0
IDEA-B	84.027	2008	662,518	615,081	0
Total IDEA-B			735,914	688,200	0
Safe and Drug-Free Schools and Communities	84.186	2007	229	0	0
Safe and Drug-Free Schools and Communities	84.186	2008	18,502	20,884	0
Total Safe and Drug-Free Schools and Communities			18,731	20,884	0
Title V	84.298	2008	382	0	0
Total Title V			382	0	0
Title II-D	84.318	2008	872	10,498	0
Total Title II-D			872	10,498	0
Title II-A	84.367	2007	0	17,870	0
Title II-A	84.367	2008	130,055	144,962	0
Total Title II-A			130,055	162,832	0
Total Department of Education			1,841,045	1,809,968	0
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
<i>Nutrition Cluster</i>					
Non-Cash Assistance:					
School Breakfast Program	(A)	10.553	2008	7,347	7,347
Cash Assistance:					
School Breakfast Program	(B)	10.553	2008	42,979	0
Total School Breakfast Program				50,326	7,347
Non-Cash Assistance:					
National School Lunch Program	(A)	10.555	2008	59,648	59,648
Cash Assistance:					
National School Lunch Program	(B)	10.555	2008	422,532	0
Total National School Lunch Program				482,180	59,648
<i>Total Nutrition Cluster</i>				532,506	66,995
Total Department of Agriculture				532,506	66,995
Total Federal Assistance			\$ 2,373,551	\$ 2,275,479	\$ 66,995

- (A) Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (Entitlement Value).
- (B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**WEST HOLMES LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any significant deficiencies or material weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material 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 significant deficiencies 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 Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title II-A: Improving Teacher Quality CFDA # 84.367 Nutrition Cluster CFDA # 10.553 & 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 were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



Mary Taylor, CPA
Auditor of State

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 20, 2009**