



Dave Yost • Auditor of State

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of West Holmes Local School District, Holmes County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of West Holmes Local School District, Holmes County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 29, 2016

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West Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

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, 2016. 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 the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Net position increased \$1,217,898, which represents a 10 percent increase over 2015.
- During the fiscal year, outstanding debt decreased from \$8,145,000 to \$7,350,000 due to principal payments made by the School District.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the West Holmes Local School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. 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 fund is by far the most significant fund.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

West Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain 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 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question.

These two statements report the School District's net position and changes in net position. This change in net position 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.

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District has one major governmental fund and that 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 the cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Proprietary Fund 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 predominately 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 20.

West Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Reporting the School District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. These activities are reported in the Statement of Fiduciary Net Position on page 22. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2016 compared to 2015.

Table 1
Net Position –Cash Basis

	Governmental Activities	
	2016	2015
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 13,257,630	\$ 12,039,732
Net Position		
Restricted for:		
Capital Outlay	592,189	681,716
Debt Service	734,171	717,275
Other Purposes	381,656	506,024
Unrestricted	11,549,614	10,134,717
<i>Total Net Position</i>	\$ 13,257,630	\$ 12,039,732

A portion of the School District's net position, \$1,708,016 or 13 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$11,549,614 may be used to meet the government's ongoing obligations to students and creditors.

The School District saw a \$1,217,898 increase in cash and cash equivalents during fiscal year 2016. This was partially caused by an increase in state foundation due to the new state funding formula, as well as an increase in property tax receipts that resulted from a real estate reappraisal. Additionally, the School District saw cost savings as a result of 20 fiscal year 2015 retirements that were replaced with teachers with less experience and therefore at less cost to the School District. Purchased services were also lower during fiscal year 2016 as a result of the ESC changing their billing cycle. The School District will not receive the final fiscal year 2016 invoice until September 2016.

West Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Table 2 shows the changes in net position for fiscal year 2016 as compared to fiscal year 2015.

Table 2
Changes in Net Position –Cash Basis

	Governmental Activities	
	2016	2015
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 1,310,241	\$ 1,264,393
Operating Grants, Contributions and Interest	3,021,157	3,309,947
<i>Total Program Receipts</i>	<u>4,331,398</u>	<u>4,574,340</u>
General Receipts		
Property Taxes	10,593,758	10,497,917
Grants and Entitlements not Restricted to Specific Programs	11,641,347	11,132,938
Proceeds from Sale of Capital Assets	54,345	0
Proceeds of General Obligation Bonds	0	8,235,000
Premium on Debt Issuance	0	511,888
Investment Earnings	18,519	14,266
Miscellaneous	145,136	214,696
<i>Total General Receipts</i>	<u>22,453,105</u>	<u>30,606,705</u>
<i>Total Receipts</i>	<u>26,784,503</u>	<u>35,181,045</u>
Program Disbursements		
Instruction:		
Regular	10,389,852	10,462,861
Special	3,819,934	4,122,888
Vocational	299,067	260,428
Support Services:		
Pupils	823,399	815,268
Instructional Staff	728,905	806,094
Board of Education	42,703	46,587
Administration	1,923,687	1,926,979
Fiscal	540,236	579,293
Business	1,440	1,440
Operation and Maintenance of Plant	2,162,598	2,231,292
Pupil Transportation	1,725,183	1,698,436
Central	71,344	63,345
Operation of Non-Instructional Services:		
Food Service Operations	1,128,387	1,075,228
Extracurricular Activities	520,757	502,361
Capital Outlay	359,775	279,807
Debt Service:		
Payment to Bond Escrow Agent	0	8,533,839
Principal Retirement	795,000	845,000
Interest and Fiscal Charges	234,338	261,355
Issuance Costs	0	153,420
<i>Total Program Disbursements</i>	<u>25,566,605</u>	<u>34,665,921</u>
<i>Change in Net Position</i>	1,217,898	515,124
<i>Net Position Beginning of Year</i>	12,039,732	11,524,608
<i>Net Position End of Year</i>	<u>\$ 13,257,630</u>	<u>\$ 12,039,732</u>

West Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

The increase in grants and entitlements not restricted is primarily due to an increase in foundation receipts. Decreases in bond proceed receipts and payment to bond escrow agent and issuance costs are due to the debt refunding in fiscal year 2015.

Governmental Activities

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. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities –Cash Basis

	Total Costs of Services		Net Costs of Services	
	2016	2015	2016	2015
Program Disbursements				
Instruction:				
Regular	\$ 10,389,852	\$ 10,462,861	\$ 9,570,441	\$ 9,618,500
Special	3,819,934	4,122,888	1,814,257	1,899,725
Vocational	299,067	260,428	235,459	201,566
Support Services:				
Pupils	823,399	815,268	818,343	799,584
Instructional Staff	728,905	806,094	669,290	757,731
Board of Education	42,703	46,587	42,703	46,587
Administration	1,923,687	1,926,979	1,775,211	1,771,545
Fiscal	540,236	579,293	540,236	579,293
Business	1,440	1,440	1,440	1,440
Operation and Maintenance of Plant	2,162,598	2,231,292	2,162,598	2,217,612
Pupil Transportation	1,725,183	1,698,436	1,680,009	1,649,207
Central	71,344	63,345	71,344	63,345
Operation of Non-Instructional Services:				
Food Service Operations	1,128,387	1,075,228	141,167	114,951
Extracurricular Activities	520,757	502,361	323,596	297,074
Capital Outlay	359,775	279,807	359,775	279,807
Debt Service:				
Payment to Bond Escrow Agent	0	8,533,839	0	8,533,839
Principal Retirement	795,000	845,000	795,000	845,000
Interest and Fiscal Charges	234,338	261,355	234,338	261,355
Issuance Costs	0	153,420	0	153,420
Total	\$ 25,566,605	\$ 34,665,921	\$ 21,235,207	\$ 30,091,581

The dependence upon general receipts for governmental activities is apparent. Over 83 percent of governmental activities are supported through taxes and other general receipts; such receipts are 84 percent of total governmental receipts. The community, as a whole, is by far the primary support for the School District students.

West Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$12,176,980, which is higher than the prior year balance of \$11,030,122.

The general fund's fund balance increased \$1,343,857 in 2016. This was caused by increases in state foundation and property tax receipts, which resulted from a real estate reappraisal. The School District also saw cost savings as a result of the 20 fiscal year 2015 retirements that were replaced at less cost to the School District. Purchased services were also lower during fiscal year 2016 as a result of the ESC changing their billing cycle. The School District will not receive the final fiscal year 2016 invoice until September 2016.

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 2016, the School District amended its general fund budget. For the general fund, final budget basis receipts and other financing sources were \$22,398,348, representing an increase of \$558,290 from the original estimate of \$21,840,058 which was primarily caused by increases in property tax and state foundation receipt estimates. Actual receipts and other financing sources of \$22,337,523 were \$60,825 lower than the final budget.

For fiscal year 2016, the general fund final budget basis disbursements and other financing uses were \$21,929,762, which is lower than the original budgeted disbursements of \$22,092,179, due to cost savings from the reduction of salaries. Actual disbursements and other financing uses of \$21,929,762 were the same as the final budget.

Debt Administration

Debt

The School District had the following long-term obligations outstanding at June 30, 2016 and 2015.

Table 4
Outstanding Debt at June 30

	Governmental Activities	
	2016	2015
2014 School Improvement Bonds	\$ 7,350,000	\$ 8,145,000

For further information regarding the School District's debt, refer to Note 9 of the basic financial statements.

West Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Current Issues

The West Holmes Local School District secured its last new operating levy on August 5, 2008, the first new issue since 1994. After repeated levy attempts prior to August 2008, budget cuts were made, reducing staffing levels by over 25 positions. Staffing is evaluated annually while reviewing educational needs to serve approximately 2,300 students each year. It is always the goal of the Board of Education and School District administration to make levy dollars last as long as possible. Multiple changes are happening with legislation that have a direct effect on half of the School District's operating income, state foundation revenue. The key is to balance the budget while meeting the state's requirements for academic improvement. Failure to meet academic improvements may result in financial penalties in order for the state to keep local districts from prioritizing budget needs over instructional needs. Funding shifts from the state's allocation into targeted areas requires us to look for areas to meet new spending requirements without growing the budget.

The School District receives 54 percent of its General Fund revenue from State and Federal sources and 46 percent from local and miscellaneous sources. Because the School District depends on State revenue, all legislative action in the biennium budgets are critical to the long-term solvency of 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 has always helped the School District. Funding has been reduced over the past couple of years during transition formulas, the Evidence Based Funding model and the Bridge Funding Formula. The newest funding formula considers student enrollment, property valuation, and district poverty populations as key components in calculating total funding each year. This new funding formula started providing increases in fiscal year 2016.

Through the elimination of tangible personal property in House Bill 66 and the discontinuation of the replacement dollars in House Bill 1, the School District has lost more than \$2,300,000 since 2006. The replacement was slated to last until 2018 but the formula changed last biennium by the State of Ohio, drastically reducing and ultimately eliminating any collections or replacements for the tangible personal property/Commercial Alternative Tax (CAT).

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 has been fortunate to have not had to increase board share premiums from Fiscal Years 2007 through 2014 due to the health of the self-insurance plan and a ten percent increase in 2015. The School District has also negotiated with both the teacher's and non-teaching unions a maximum of a ten percent allowed increase from Aultcare to maintain the current benefit design. Any increases above that threshold will require a change in benefit design. This allows the School District to budget and control health care costs a rate lower than industry trends for medical insurance. The School District recently adopted new three year agreements with both associations for salaries and benefits.

West Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

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 W Jackson Street, Millersburg, OH 44654 or whol_zeigler@tccsa.net.

West Holmes Local School District
Holmes County, Ohio
Statement of Net Position - Cash Basis
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$ 13,257,630</u></u>
Net Position	
Restricted for:	
Capital Outlay	\$ 592,189
Debt Service	734,171
Other Purposes	381,656
Unrestricted	<u>11,549,614</u>
<i>Total Net Position</i>	<u><u>\$ 13,257,630</u></u>

See accompanying notes to the basic financial statements.

West Holmes Local School District
Holmes County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2016

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 10,389,852	\$ 655,935	\$ 163,476	\$ (9,570,441)
Special	3,819,934	18,566	1,987,111	(1,814,257)
Vocational	299,067	0	63,608	(235,459)
Support Services:				
Pupils	823,399	0	5,056	(818,343)
Instructional Staff	728,905	0	59,615	(669,290)
Board of Education	42,703	0	0	(42,703)
Administration	1,923,687	0	148,476	(1,775,211)
Fiscal	540,236	0	0	(540,236)
Business	1,440	0	0	(1,440)
Operation and Maintenance of Plant	2,162,598	0	0	(2,162,598)
Pupil Transportation	1,725,183	0	45,174	(1,680,009)
Central	71,344	0	0	(71,344)
Operation of Non-Instructional Services:				
Food Service Operations	1,128,387	441,233	545,987	(141,167)
Extracurricular Activities	520,757	194,507	2,654	(323,596)
Capital Outlay	359,775	0	0	(359,775)
Debt Service:				
Principal Retirement	795,000	0	0	(795,000)
Interest and Fiscal Charges	234,338	0	0	(234,338)
Totals	\$ 25,566,605	\$ 1,310,241	\$ 3,021,157	(21,235,207)

General Receipts

Property Taxes Levied for:

General Purposes	9,216,162
Debt Service	938,218
Capital Outlay	439,378
Grants and Entitlements not Restricted to Specific Programs	11,641,347
Proceeds from Sale of Capital Assets	54,345
Investment Earnings	18,519
Miscellaneous	145,136

Total General Receipts 22,453,105

Change in Net Position 1,217,898

Net Position Beginning of Year 12,039,732

Net Position End of Year \$ 13,257,630

See accompanying notes to the basic financial statements.

West Holmes Local School District
Holmes County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 10,468,964</u>	<u>\$ 1,708,016</u>	<u>\$ 12,176,980</u>
Fund Balances			
Restricted	0	1,708,016	1,708,016
Assigned	936,615	0	936,615
Unassigned	<u>9,532,349</u>	<u>0</u>	<u>9,532,349</u>
<i>Total Fund Balances</i>	<u>\$ 10,468,964</u>	<u>\$ 1,708,016</u>	<u>\$ 12,176,980</u>

See accompanying notes to the basic financial statements.

West Holmes Local School District
Holmes County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Cash Basis
June 30, 2016

Total Governmental Fund Balances	\$ 12,176,980
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*Amounts reported for governmental activities in the
statement of net position are different because:*

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

1,080,650

Net Position of Governmental Activities

\$ 13,257,630

See accompanying notes to the basic financial statements.

West Holmes Local School District
Holmes County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 9,216,162	\$ 1,377,596	\$ 10,593,758
Intergovernmental	12,303,619	2,339,432	14,643,051
Investment Income	18,519	207	18,726
Tuition and Fees	658,134	0	658,134
Extracurricular Activities	63,814	134,400	198,214
Gifts and Donations	16,593	2,654	19,247
Charges for Services	0	441,233	441,233
Rent	12,282	378	12,660
Miscellaneous	136,146	8,989	145,135
<i>Total Receipts</i>	<u>22,425,269</u>	<u>4,304,889</u>	<u>26,730,158</u>
Disbursements			
Current:			
Instruction:			
Regular	10,199,315	218,011	10,417,326
Special	2,582,951	1,251,005	3,833,956
Vocational	299,552	0	299,552
Support Services:			
Pupils	820,315	5,363	825,678
Instructional Staff	661,066	70,201	731,267
Board of Education	42,703	0	42,703
Administration	1,772,179	157,457	1,929,636
Fiscal	503,053	37,668	540,721
Business	1,440	0	1,440
Operation and Maintenance of Plant	2,168,764	0	2,168,764
Pupil Transportation	1,515,718	215,771	1,731,489
Central	71,692	0	71,692
Extracurricular Activities	370,500	150,605	521,105
Operation of Non-Instructional Services:			
Food Service Operations	71,134	1,062,069	1,133,203
Capital Outlay	0	359,775	359,775
Debt Service:			
Principal Retirement	0	795,000	795,000
Interest and Fiscal Charges	0	234,338	234,338
<i>Total Disbursements</i>	<u>21,080,382</u>	<u>4,557,263</u>	<u>25,637,645</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,344,887</u>	<u>(252,374)</u>	<u>1,092,513</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	0	54,345	54,345
Transfers In	0	1,030	1,030
Transfers Out	(1,030)	0	(1,030)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,030)</u>	<u>55,375</u>	<u>54,345</u>
<i>Net Change in Fund Balances</i>	1,343,857	(196,999)	1,146,858
<i>Fund Balances Beginning of Year</i>	<u>9,125,107</u>	<u>1,905,015</u>	<u>11,030,122</u>
<i>Fund Balances End of Year</i>	<u>\$ 10,468,964</u>	<u>\$ 1,708,016</u>	<u>\$ 12,176,980</u>

See accompanying notes to the basic financial statements.

West Holmes Local School District

Holmes County, Ohio

*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds	\$ 1,146,858
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*Amounts reported for governmental activities in the
statement of activities are different because:*

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).	<u>71,040</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 1,217,898</u></u>
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See accompanying notes to the basic financial statements.

West Holmes Local School District
Holmes County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 9,183,930	\$ 9,216,162	\$ 9,216,162	\$ 0
Intergovernmental	11,918,628	12,303,619	12,303,619	0
Investment Income	15,000	20,000	18,520	(1,480)
Tuition and Fees	590,648	658,134	658,134	0
Extracurricular Activities	50,000	59,928	59,928	0
Rent	7,200	12,282	12,282	0
Miscellaneous	74,652	69,378	64,378	(5,000)
<i>Total Receipts</i>	<u>21,840,058</u>	<u>22,339,503</u>	<u>22,333,023</u>	<u>(6,480)</u>
Disbursements				
Current:				
Instruction:				
Regular	10,381,966	10,544,022	10,544,022	0
Special	2,892,750	2,678,441	2,678,441	0
Vocational	283,809	322,705	322,705	0
Support Services:				
Pupils	847,130	831,260	831,260	0
Instructional Staff	749,317	657,704	657,704	0
Board of Education	25,091	51,634	51,634	0
Administration	1,812,080	1,792,498	1,792,498	0
Fiscal	272,908	507,423	507,423	0
Business	1,544	1,440	1,440	0
Operation and Maintenance of Plant	2,465,108	2,344,481	2,344,481	0
Pupil Transportation	1,860,126	1,683,831	1,683,831	0
Central	64,428	72,392	72,392	0
Extracurricular Activities	364,301	368,624	368,624	0
Operation of Non-Instructional Services:				
Food Service Operations	71,621	72,277	72,277	0
<i>Total Disbursements</i>	<u>22,092,179</u>	<u>21,928,732</u>	<u>21,928,732</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(252,121)</u>	<u>410,771</u>	<u>404,291</u>	<u>(6,480)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	54,345	0	(54,345)
Refund of Prior Year Disbursements	0	4,500	4,500	0
Transfers Out	0	(1,030)	(1,030)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>57,815</u>	<u>3,470</u>	<u>(54,345)</u>
<i>Net Change in Fund Balance</i>	(252,121)	468,586	407,761	(60,825)
<i>Fund Balance Beginning of Year</i>	8,516,057	8,516,057	8,516,057	0
Prior Year Encumbrances Appropriated	543,342	543,342	543,342	0
<i>Fund Balance End of Year</i>	<u>\$ 8,807,278</u>	<u>\$ 9,527,985</u>	<u>\$ 9,467,160</u>	<u>\$ (60,825)</u>

See accompanying notes to the basic financial statements.

West Holmes Local School District
Holmes County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Fund
June 30, 2016

	Governmental Activities - Internal Service Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,080,650
Net Position	
Unrestricted	\$ 1,080,650

See accompanying notes to the basic financial statements.

West Holmes Local School District
Holmes County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	Governmental Activities - Internal Service Fund
Operating Receipts	
Charges for Services	\$ 3,210,239
Operating Disbursements	
Purchased Services	668,820
Claims	2,470,379
<i>Total Operating Disbursements</i>	3,139,199
<i>Operating Income (Loss)</i>	71,040
<i>Net Position Beginning of Year</i>	1,009,610
<i>Net Position End of Year</i>	\$ 1,080,650

See accompanying notes to the basic financial statements.

West Holmes Local School District
Holmes County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2016

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 204,296
	<u><u>204,296</u></u>
Net Position	
Held on Behalf of Student Activities	\$ 204,296
	<u><u>204,296</u></u>

See accompanying notes to the basic financial statements.

West Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

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, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally 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 the Tri-County Computer Service Association (TCCSA) and the Ashland County-West Holmes Career Center, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 10.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

A. Basis of Presentation

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

West Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the School District, with certain limitations. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general receipts of the School District.

Fund Financial Statements During the fiscal 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 fiscal 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 The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following is the School District's major governmental fund:

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 to which the School District is bound to observe constraints imposed upon the use of the resources.

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing organizations and activities which are similar to those found in the private sector. Proprietary funds are classified either as enterprise or internal service.

West Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and receipt for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued liabilities and the related disbursements) are not recorded in these financial statements.

D. 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 receipts 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.

West Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated receipts. 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.

E. 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.

Investments of the School District's cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and cash equivalents." Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

During fiscal year 2016, investments were limited to STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2016.

Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2016 amounted to \$18,519 with \$207 assigned from other funds.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

West Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

I. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

J. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

K. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when made.

L. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

M. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include instructional activities, food service operations and grants.

The School District applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

West Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipt and appropriations in the subsequent year’s appropriated budget.

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

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

O. Operating Receipts and Disbursements

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

West Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

P. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2016, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

Note 3 - Budgetary Basis of Accounting

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis). This includes the Clark elementary fund.

West Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
Cash Basis	\$ 1,343,857
Funds Budgeted Elsewhere	(7,835)
Adjustment for Encumbrances	<u>(928,261)</u>
Budget Basis	<u>\$ 407,761</u>

Note 4 - 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.

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;

West Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

- 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 and STAR Plus);
- 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 forty 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.

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 fiscal year 2016, 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 uninsured 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 \$13,456,270. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2016, \$12,020,222 of the School District's bank balance of \$13,455,203 was exposed to custodial risk as discussed above, while \$1,434,981 was covered by Federal Deposit Insurance Corporation.

West Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Investments

As of June 30, 2016, the School District had the following investment and maturity:

<u>Investment Type</u>	<u>Cost</u>	<u>Investment Maturity 6 Months or Less</u>	<u>Percent of Total</u>
STAR Ohio	\$ 5,656	\$ 5,656	100%

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.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2016, is 49 days and it carries a rating of AAAM by Standard and Poor’s.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer.

Note 5 - 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, 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.

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Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Holmes, Wayne, Coshocton and Ashland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 354,527,640	93%	\$ 361,642,044	92%
Public Utility Personal Property	28,326,220	7%	30,146,300	8%
Total	\$ 382,853,860	100%	\$ 391,788,344	100%
 Full Tax Rate per \$1,000 of assessed valuation	 \$ 34.44		 \$ 34.21	

Note 6 - 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 have not been significant reductions 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 \$4,040,518.

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Note 7 - Defined Benefit Pension Plans

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District’s contractually required contribution to SERS was \$530,248 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

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The School District's contractually required contribution to STRS was \$1,448,656 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 27,804,992	\$ 6,167,229	\$ 33,972,221
Proportion of the Net Pension Liability	0.10060758%	0.10808140%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 8,551,731	\$ 6,167,229	\$ 4,159,282

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Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 38,623,232	\$ 27,804,992	\$ 18,656,557

Note 8 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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.

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The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$51,300, \$90,528 and \$60,367, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$107,991, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

Note 9 - Long-Term Obligations

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

	Outstanding 6/30/2015	Additions	Reductions	Outstanding 6/30/2016	Amounts Due in One Year
Governmental Activities:					
<i>2014 School Improvement</i>					
<i>Refunding Bonds \$8,235,000</i>					
<i>\$8,235,000 @ 1.5%-4.00%</i>	\$ 8,145,000	\$ 0	\$ (795,000)	\$ 7,350,000	\$ 830,000

On July 23, 2014, the School District issued \$8,235,000 of general obligation bonds. The bonds advance refunded \$8,415,000 of outstanding 2005 School Improvement General Obligation Bonds. The bonds were issued for a 10 year period with final maturity at December 1, 2023. At the date of refunding, \$8,533,839 (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 2005 School Improvement Bonds.

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These refunding bonds were issued with a premium of \$511,888 which was reported as receipts at the time of issuance. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$358,468. 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 \$943,659. The issuance resulted in an economic gain of \$867,667. As a result, the refunded bonds are considered to be defeased. The refunded bonds were called on December 1, 2014 and therefore, the principal balance outstanding on the defeased bonds was \$0 at June 30, 2016.

General obligation bonds will be paid from the debt service fund.

<u>Series 2014 Refunding Bonds</u>		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 830,000	\$ 198,888
2018	865,000	164,987
2019	895,000	140,975
2020	910,000	126,300
2021	930,000	109,038
2022-2024	<u>2,920,000</u>	<u>152,206</u>
	<u>\$ 7,350,000</u>	<u>\$ 892,394</u>

Note 10 - 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.

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Note 11 – Contingencies and Significant Commitments

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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

C. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$936,615 in the general fund and \$642,577 in the non-major governmental funds.

D. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

E. Contractual Commitments

The District had the following significant commitments at June 30, 2016.

Project	Contract Amount	Expended	Outstanding Commitment
High School Parking Lot	\$ 247,100	\$ 0	\$ 247,100
2 School Buses	164,854	0	164,854
Chromebooks	155,000	0	155,000
Total	<u>\$ 566,954</u>	<u>\$ 0</u>	<u>\$ 566,954</u>

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Note 12 - 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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2015	\$ 0
Current Year Set-aside Requirement	406,448
Current Year Offsets	(499,462)
Totals	\$ (93,014)
Balance Carried Forward to Fiscal Year 2017	\$ 0
Set-aside Restricted Balance as of June 30, 2016	\$ 0

Although the School District had offsets 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. This negative balance is therefore not presented as being carried forward to future years.

Note 13 – Interfund Transfers

The general fund transferred \$1,030 to the food service fund to support operations during fiscal year 2016.

Note 14 - Fund Balance

Fund balance can be classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

West Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The constraints placed on fund balance for the general fund and all other governmental funds are presented as follows:

	General	Other Governmental Funds	Total
Restricted for:			
Debt Service	\$ 0	\$ 734,171	\$ 734,171
Capital Outlay	0	592,189	592,189
Extracurricular Activities	0	131,526	131,526
Food Service Operations	0	220,648	220,648
Other Purposes	0	29,482	29,482
Total Restricted	0	1,708,016	1,708,016
Assigned for:			
Encumbrances:			
Instruction	533,370	0	533,370
Support Services	394,891	0	394,891
Extracurricular	8,354	0	8,354
Total Assigned	936,615	0	936,615
Unassigned	9,532,349	0	9,532,349
<i>Total Fund Balance</i>	<i>\$ 10,468,964</i>	<i>\$ 1,708,016</i>	<i>\$ 12,176,980</i>

Note 15 - Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

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**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non - Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	\$ 35,095
Cash Assistance:		
School Breakfast Program	10.553	105,018
National School Lunch Program	10.555	430,826
Cash Assistance Subtotal:		<u>535,844</u>
Total Child Nutrition Cluster		<u>570,939</u>
Total U.S. Department of Agriculture		<u>570,939</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	925,001
Special Education_Grants to States	84.027	558,300
Improving Teacher Quality State Grants	84.367	124,790
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395	9,253
Rural Education	84.358	27,078
Total U.S. Department of Education		<u>1,644,422</u>
Total Expenditures of Federal Awards		<u>\$ 2,215,361</u>

The accompanying notes are an integral part of this schedule.

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of West Holmes Local School District, Holmes County (the School District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE D - FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the West Holmes Local School District, Holmes County, Ohio, (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 29, 2016, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

School District's Response to the Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

November 29, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the West Holmes Local School District, Holmes County, Ohio (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the West Holmes Local School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the West Holmes Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 29, 2016

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010 – Title I Grants to Local Educational Agencies
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016
(CONTINUED)

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

FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code § 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The School District prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from GAAP. There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the School District being fined or other administrative remedies.

The School District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Officials' Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Noncompliance – OAC 117-2-03(B) – The School District filed OCBOA financial statements rather than GAAP.	Not corrected	See Finding 2016-001 and Corrective Action Plan.
2015-002	Material Noncompliance – ORC 5705.39 – The School District had appropriations exceeding estimated resources.	Not corrected	Repeated in Management Letter. The Treasurer will monitor appropriations versus estimated resources to help ensure no noncompliance with ORC 5705.39.
2015-003	Questioned Cost/Noncompliance/Significant Deficiency – Eligibility – Free and reduced lunch applications were not always accurate.	Corrected	

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The School District plans to continue reporting on the cash basis of accounting due to the cost requirement of preparing these financial statements according to Generally Accepted Accounting Principles (GAAP).	n/a	Jamie Zeigler, Treasurer



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WEST HOLMES LOCAL SCHOOL DISTRICT

HOLMES COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 29, 2016