

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Fund (Non-GAAP Budgetary Basis)	6
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types	10
Combined Statement of Cash Flows - All Proprietary Fund Types	11
Notes to the General Purpose Financial Statements	12
Schedule of Federal Awards, Receipts, and Expenditures	35
Notes to the Schedule of Federal Awards, Receipts, and Expenditures	36
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	37
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	39
Schedule of Findings	41



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of West Holmes Local School District, Holmes County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



JIM PETRO
Auditor of State

November 30, 1999

WEST HOLMES LOCAL SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 5,557,356	\$ 230,430	\$ 923,263	\$ 6,763,474
Receivables:				
Taxes	5,024,364	0	1,172,873	394,517
Accounts	7,155	0	0	0
Intergovernmental Receivable	2,765	0	0	0
Prepaid Items	7,170	0	0	0
Inventory Held For Resale	0	0	0	0
Materials and Supplies Inventory	69,463	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalent	590,448	0	0	0
Fixed Assets (Net of depreciation where applicable)	0	0	0	0
Total Assets	11,258,721	230,430	2,096,136	7,157,991
Other Debits				
Amount Available In Debt Service	0	0	0	0
Amount to be Provided from General				
Government Resources	0	0	0	0
Total Other Debits	0	0	0	0
Total Assets and Other Debits	\$ 11,258,721	\$ 230,430	\$ 2,096,136	\$ 7,157,991
Liabilities				
Accounts Payable	\$ 125,210	\$ 23,663	\$ 0	\$ 61,397
Contracts Payable	0	0	0	1,330,538
Accrued Wages and Benefits	1,184,401	69,715	0	0
Compensated Absences Payable	6,500	0	0	0
Retainage Payable	0	0	0	55,090
Intergovernmental Payable	217,619	10,769	0	0
Deferred Revenue	4,900,318	0	1,143,916	384,777
Undistributed Monies	0	0	0	0
Bonds Payable	0	0	0	0
Claims Payable	0	0	0	0
Capital Lease Payable	0	0	0	0
Total Liabilities	6,434,048	104,147	1,143,916	1,831,802
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	267,194	11,553	0	556,209
Reserved for Inventory	69,463	0	0	0
Reserved for Budget Stabilization	590,448	0	0	0
Reserved for Debt Services	0	0	923,263	0
Reserved for Tax Advances not Available for Appropriations	124,046	0	28,957	9,740
Unreserved:				
Undesignated	3,773,522	114,730	0	4,760,240
Total Fund Equity and Other Credits	4,824,673	126,283	952,220	5,326,189
Total Liabilities, Fund Equity and Other Credits	\$ 11,258,721	\$ 230,430	\$ 2,096,136	\$ 7,157,991

See accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Types	Fiduciary Fund Types		Account Groups			Totals (Memorandum Only)
	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 251,067	\$ 606,640	\$ 88,381	\$ 0	\$ 0	\$ 14,420,611	
0	0	0	0	0	6,591,754	
0	9,551	0	0	0	16,706	
31,296	0	0	0	0	34,061	
147	0	0	0	0	7,317	
29,709	0	0	0	0	29,709	
12,633	0	0	0	0	82,096	
0	0	0	0	0	590,448	
277,115	0	0	23,328,382	0	23,605,497	
601,967	616,191	88,381	23,328,382	0	45,378,199	
0	0	0	0	952,220	952,220	
0	0	0	0	16,740,269	16,740,269	
0	0	0	0	17,692,489	17,692,489	
\$ 601,967	\$ 616,191	\$ 88,381	\$ 23,328,382	\$ 17,692,489	\$ 63,070,688	
\$ 1,364	\$ 0	\$ 370	\$ 0	\$ 0	\$ 212,004	
0	0	0	0	0	1,330,538	
45,700	0	0	0	0	1,299,816	
49,390	0	0	0	1,659,656	1,715,546	
0	0	0	0	0	55,090	
21,418	0	0	0	112,152	361,958	
29,709	0	0	0	0	6,458,720	
0	0	87,495	0	0	87,495	
0	0	0	0	15,884,935	15,884,935	
0	130,508	0	0	0	130,508	
0	0	0	0	35,746	35,746	
147,581	130,508	87,865	0	17,692,489	27,572,356	
0	0	0	23,328,382	0	23,328,382	
118,328	0	0	0	0	118,328	
336,058	485,683	0	0	0	821,741	
0	0	0	0	0	834,956	
0	0	0	0	0	69,463	
0	0	0	0	0	590,448	
0	0	0	0	0	923,263	
0	0	0	0	0	162,743	
0	0	516	0	0	8,649,008	
454,386	485,683	516	23,328,382	0	35,498,332	
\$ 601,967	\$ 616,191	\$ 88,381	\$ 23,328,382	\$ 17,692,489	\$ 63,070,688	

See accompanying Notes to the General Purpose Financial Statements.

WEST HOLMES LOCAL SCHOOL DISTRICT

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

All Governmental Fund Types and Expendable Trust Fund

For the Year Ended June 30, 1999

	Governmental Fund Types	
	General	Special Revenue
<u>Revenues</u>		
Taxes	\$ 5,336,946	\$ 0
Intergovernmental	7,769,368	674,737
Investment Income	259,586	2,342
Tuition and Fees	64,296	576
Extracurricular Activities	0	151,762
Miscellaneous	26,339	94,016
Total Revenues	13,456,535	923,433
<u>Expenditures</u>		
Current:		
Instruction		
Regular	6,009,915	84,261
Special	861,981	488,967
Vocational	410,799	0
Adult Continuing	285,866	0
Support Services:		
Pupils	377,313	33,127
Instructional Staff	387,294	74,230
Board of Education	44,616	0
Administration	979,479	55,930
Fiscal	319,242	10,898
Operation and Maintenance of Plant	1,058,970	0
Pupil Transportation	931,973	1,083
Central	12,611	0
Operation of Non-Instructional Services	34,939	0
Extracurricular Activities	171,375	139,190
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	0
Interest and Fiscal Charges	0	0
Total Expenditures	11,886,373	887,686
Excess of Revenues Over (Under) Expenditures	1,570,162	35,747
Fund Balance at Beginning Of Year	3,254,511	90,536
Fund Balance at End of Year	\$ 4,824,673	\$ 126,283

See accompanying Notes to the General Purpose Financial Statements.

Governmental Fund Types		Fiduciary Fund Type		Totals
Debt Service	Capital Projects	Expendable Trust		(Memorandum Only)
\$ 1,142,771	\$ 381,587	\$ 0	\$	6,861,304
112,487	48,739	0		8,605,331
35,641	585,001	0		882,570
0	0	0		64,872
0	0	0		151,762
0	0	830		121,185
1,290,899	1,015,327	830		16,687,024
0	146,281	0		6,240,457
0	0	0		1,350,948
0	0	0		410,799
0	0	0		285,866
0	0	0		410,440
0	0	1,279		462,803
0	0	0		44,616
0	0	0		1,035,409
30,422	9,845	0		370,407
0	0	0		1,058,970
0	0	0		933,056
0	0	0		12,611
0	0	0		34,939
0	0	0		310,565
0	10,430,424	0		10,430,424
85,000	0	0		85,000
803,780	0	0		803,780
919,202	10,586,550	1,279		24,281,090
371,697	(9,571,223)	(449)		(7,594,066)
580,523	14,897,412	965		18,823,947
\$ 952,220	\$ 5,326,189	\$ 516	\$	11,229,881

See accompanying Notes to the General Purpose Financial Statements.

WEST HOLMES LOCAL SCHOOL DISTRICT

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

For the Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$5,414,360	\$5,414,360	\$ 0
Intergovernmental	7,771,589	7,771,589	0
Investment Income	262,123	262,123	0
Tuition and Fees	65,306	65,306	0
Extracurricular Activities	0	0	0
Miscellaneous	33,338	33,338	0
Total Revenues	13,546,716	13,546,716	0
Expenditures			
Current			
Instruction			
Regular	6,129,554	6,056,682	72,872
Special	839,238	826,014	13,244
Vocational	418,224	414,917	6,307
Other	353,767	353,767	43
Support Services			
Pupils	385,498	376,711	8,787
Instructional Staff	434,211	408,722	25,489
Board of Education	49,899	48,102	1,597
Administration	1,039,502	995,695	43,807
Fiscal	326,539	318,003	8,523
Operation and Maintenance of Plant	1,156,619	1,095,264	51,355
Pupil Transportation	1,089,534	1,066,593	22,939
Central	13,346	12,921	425
Operation of Non-Instructional Services	34,841	34,397	542
Extracurricular Activities	188,285	171,499	16,886
Capital Outlay	0	0	0
Debt Service	0	0	0
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	12,459,057	12,186,245	272,816
Excess of Revenues Over (Under) Expenditures	1,087,659	1,360,471	272,816
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	381	381	0
Refund of Prior Year Receipts	0	0	0
Total Other Financing Sources (Uses)	381	381	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,088,040	1,360,856	272,816
Fund Balance (Deficit) at Beginning of Year	4,166,787	4,166,787	0
Prior Year Encumbrances Appropriated	227,754	227,754	0
Fund Balance (Deficit) at End of Year	\$5,482,581	\$5,482,581	\$ 272,816

See accompanying Notes to General Purpose Financial Statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	0	\$ 0	\$ 1,161,165	1,161,165	\$ 0
674,737	674,737	0	112,487	112,487	0
2,330	2,330	12	35,641	35,641	0
576	576	0	0	0	0
151,796	151,762	(34)	0	0	0
95,088	95,088	0	0	0	0
924,527	924,505	(22)	1,309,293	1,309,293	0
171,377	124,312	47,065	0	0	0
549,424	503,800	45,624	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
54,589	38,754	15,835	0	0	0
108,261	79,753	28,508	0	0	0
0	0	0	0	0	0
59,183	55,784	3,399	0	0	0
10,767	10,767	0	30,518	30,518	96
0	0	0	0	0	0
2,000	1,084	916	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
160,006	149,799	10,207	0	0	0
0	0	0	0	0	0
0	0	0	85,000	85,000	0
0	0	0	830,904	830,904	27,124
1,115,607	964,103	151,504	946,422	946,422	27,220
(191,080)	(191,080)	151,482	362,871	362,871	27,220
0	0	0	0	0	0
(641)	(641)	0	0	0	0
(641)	(641)	0	0	0	0
(191,721)	(191,721)	151,482	362,871	362,871	27,220
141,238	141,238	0	533,172	533,172	0
94,213	94,213	0	0	0	0
\$ 43,730	\$ 43,730	\$ 151,482	\$ 896,043	\$ 896,043	\$ 27,220

See accompanying Notes to General Purpose Financial Statements.

WEST HOLMES LOCAL SCHOOL DISTRICT

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

For the Year Ended June 30, 1999

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 389,109	\$ 389,109	\$ 0
Intergovernmental	48,739	48,739	0
Investment Income	585,615	585,615	(250)
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
Total Revenues	1,023,463	1,023,463	(250)
Expenditures			
Current			
Instruction			
Regular	309,475	309,475	83,326
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	11,500	11,500	1,655
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	11,587,265	11,587,265	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	11,908,240	11,908,240	84,981
Excess of Revenues Over (Under) Expenditures	(10,884,777)	(10,884,777)	84,731
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(10,884,777)	(10,884,777)	84,731
Fund Balance (Deficit) at Beginning of Year	15,435,345	15,435,345	0
Prior Year Encumbrances Appropriated	180,033	180,033	0
Fund Balance (Deficit) at End of Year	\$ 4,730,601	\$ 4,730,601	\$ 84,731

See accompanying Notes to General Purpose Financial Statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	0	\$ 0	\$ 6,964,634	6,964,634	\$ 0
0	0	0	8,607,552	8,607,552	0
0	0	0	885,709	885,471	(238)
0	0	0	65,882	65,882	0
0	0	0	151,796	151,762	(34)
721	721	109	129,147	129,256	109
721	721	109	16,804,720	16,804,557	(163)
0	0	0	6,610,406	6,407,143	203,263
0	0	0	1,388,662	1,329,794	58,868
0	0	0	418,224	411,917	6,307
0	0	0	353,767	353,721	43
0	0	0	440,087	415,463	24,622
1,274	1,274	3	543,746	489,746	54,000
0	0	0	49,899	48,302	1,597
0	0	0	1,098,685	1,051,529	47,156
0	0	0	379,324	369,050	10,274
0	0	0	1,156,619	1,105,264	51,355
0	0	0	1,091,534	1,067,679	23,855
0	0	0	13,346	12,921	425
0	0	0	34,841	34,299	542
0	0	0	348,291	321,198	27,093
0	0	0	11,587,265	11,587,265	0
0	0	0	85,000	85,000	0
0	0	0	830,904	803,780	27,124
1,274	1,274	3	26,430,600	26,394,076	536,524
(553)	(441)	112	(9,625,880)	(9,089,619)	536,361
0	0	0	381	381	0
0	0	0	(641)	(641)	0
0	0	0	(260)	(260)	0
(553)	(441)	112	(9,626,140)	(9,089,719)	536,361
870	870	0	20,277,412	20,277,412	0
120	120	0	502,120	502,120	0
\$ 437	\$ 437	\$ 112	11,153,392	11,153,753	\$ 536,361

See accompanying Notes to General Purpose Financial Statements.

WEST HOLMES LOCAL SCHOOL DISTRICT

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

For the Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues</u>			
Charges for Services	\$ 412,222	\$ 0	\$ 412,222
Premium Revenues	0	1,111,199	1,111,199
Total Operating Revenues	412,222	1,111,199	1,523,421
<u>Operating Expenses</u>			
Salaries	247,453	0	247,453
Fringe Benefits	117,448	0	117,448
Purchased Services	6,649	1,241,292	1,247,941
Materials and Supplies	267,282	0	267,282
Depreciation	12,894	0	12,894
Total Operating Expenses	651,726	1,241,292	1,893,018
Operating (Loss)	(239,504)	(130,093)	(369,597)
<u>Non-Operating Revenues</u>			
Operating Grants	232,093	0	232,093
Interest	8,138	20,806	28,944
Total Non-Operating Revenues	240,231	20,806	261,037
Income (Loss) Before Operating Transfers	727	(109,287)	(108,560)
Retained Earnings/Fund Balance at Beginning of Year	335,331	594,970	930,301
Retained Earnings/Fund Balance at End of Year	336,058	485,683	821,741
Contributed Capital at Beginning of Year	118,328	0	0
Current Year Contributed Capital	0	0	0
Contributed Capital at End of Year	118,328	0	118,328
Total Fund Equity at End of Year	\$ 454,386	\$ 485,683	\$ 940,069

See Notes to the General Purpose Financial Statements.

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

For the Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	\$ 415,333	\$ 0	\$ 415,333
Cash Received from Quasi-External Transactions with Other Funds	0	1,117,677	1,117,677
Cash Paid for Goods and Services	(270,522)	(1,184,121)	(1,454,643)
Cash Paid to Employees	(341,969)	0	(341,969)
Net Cash Used For Operating Activities	(197,158)	(66,444)	(263,602)
<u>Cash Flows From Non-Capital Financing Activities</u>			
Grants	200,797	0	200,797
Net Cash Provided By Non-Capital Activities	200,797	0	200,797
<u>Cash Flows From Capital and Related Financing Activities</u>			
Cash Paid for the Purchase of Equipment	(500)	0	(500)
Net Cash (Used For) Capital Activities	(500)	0	(500)
<u>Cash Flows From Investing Activities</u>			
Interest Received	8,138	20,806	28,944
Net Cash Provided By Investing Activities	8,138	20,806	28,944
Net Increase (Decrease) in Cash and Cash Equivalents	11,277	(45,638)	(34,361)
Cash and Cash Equivalents at Beginning of Year	239,790	652,278	892,068
Cash and Cash Equivalents at End of Year	\$ 251,067	\$ 606,640	\$ 857,707
<u>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</u>			
Operating Loss	\$ (239,504)	\$ (130,093)	\$ (369,597)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:			
Depreciation	12,894	0	12,894
Loss on disposal of assets	2,057	0	2,057
(Increase) Decrease in Accounts Receivable	3,111	6,478	9,589
(Increase) Decrease in Inventory	4,296	0	4,296
(Increase) Decrease in Prepaid Items	1,613	0	1,613
Increase (Decrease) in Accounts Payable	1,129	0	1,129
Increase (Decrease) in Accrued Wages and Benefits	13,125	0	13,125
Increase (Decrease) in Compensated Absences	9,807	0	9,807
Increase (Decrease) in Intergovernmental Payables	(2,413)	0	(2,413)
Increase (Decrease) in Deferred Revenue	(3,273)	0	(3,273)
Increase (Decrease) in Claims Payable	0	57,171	57,171
Total Adjustments	42,346	63,649	105,995
Net Cash Used For Operating Activities	\$ (197,158)	\$ (66,444)	\$ (263,602)

See accompanying Notes to the General Purpose Financial Statements.

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

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

The West Holmes Local School District (District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership as of October 1, 1998, was 2,710. The District employs 169 certificated and 106 non-certificated employees.

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Types

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

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

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

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

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

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

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Types

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

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

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

Fiduciary Fund Types

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

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

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

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Account Groups

The District maintains two account groups as described below:

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

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

B. Deposits and Investments

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is recorded in the general fund, as permitted by the Ohio Revised Code. Investments are stated at cost which approximates market value at year-end. Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest credited to the general fund during the fiscal year ended June 30, 1999 totaled \$259,586.

C. Receivables

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

D. Estimates

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

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables." Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. The District had no interfund loans outstanding at year end.

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

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

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

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accrued Liabilities and Long-Term Obligations

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

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

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

J. Interfund Transactions

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

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

K. Compensated Absences

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

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (continued)

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of proprietary type funds is reflected as a liability in the respective funds. The current portion of unpaid compensated absences for sick leave related to governmental fund type operations is reflected in the respective funds. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, advances to other funds and HB412 reserves such as textbooks and instructional materials, capital improvements, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Intergovernmental Revenues

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

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

Entitlements

General Fund:

State Foundation Program
State Property Tax Relief
School Bus Purchase Allowance

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds:

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

Capital Projects Funds:

School Net

Reimbursable Grants

General Fund:

Driver Education

Proprietary Funds:

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 51% of the District's operating revenue during the 1999 fiscal year.

N. Total Columns

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1999, the School District set aside the amount which State statute required to be included in this reserve. A fund balance reserve has also been established.

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified by the County Auditor. All funds other than the Agency funds are required to be budgeted and appropriated. The primary level of budgetary control is at the function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

B. Budgetary Basis

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by April 1. As part of the certification, the District receives the official Certificate of Estimated Resources which states projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Fund (Non-GAAP Budgetary Basis)" do not include July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

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

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Budgetary Basis (Continued)

Appropriations (Continued)

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

Lapsing of Appropriations

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the generally accepted accounting principles (GAAP) basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent year expenditures.

Budgetary Reporting

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

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

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Budgetary Basis (Continued)

Budgetary Reporting (Continued)

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

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

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Expendable Trust Fund</u>
Budgetary Basis	\$ 1,360,856	\$ (40,239)	\$ 390,091	\$(10,800,046)	\$ (441)
Revenue accruals	(90,562)	(431)	(18,394)	(7,886)	0
Expenditure accruals	(92,536)	41,201	0	(711,435)	(343)
Encumbrances outstanding at year end	<u>392,404</u>	<u>35,216</u>	<u>0</u>	<u>1,948,144</u>	<u>335</u>
GAAP Basis	<u>\$ 1,570,162</u>	<u>\$ 35,747</u>	<u>\$ 371,697</u>	<u>\$(9,571,223)</u>	<u>\$ (449)</u>

C. Non-compliance

Contrary to Ohio Revised Code Section 5705.41 (D), the District did not certify all of their obligations during the current fiscal year.

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 4: DEPOSITS

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

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

Inactive deposits are public deposits identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 4: DEPOSITS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year-end, the carrying amount of the District's deposits was \$15,011,059, and the bank balance was \$15,084,219. Of the bank balance:

1. \$265,585 was covered by federal depository insurance.
2. \$14,818,634 was covered by collateral held in the pledging bank's trust department in the District's name.

NOTE 5: FIXED ASSETS AND DEPRECIATION

A. General Fixed Assets Account Group

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

	Balance <u>July 1, 1998</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 1999</u>
Land, Buildings and Improvements	\$ 6,258,775	\$ 0	\$ 0	\$ 6,258,775
Furniture and equipment	4,160,237	161,662	76,246	4,245,653
Vehicles	1,461,976	238,664	0	1,700,640
Textbooks	1,274,837	135,855	130,826	1,279,866
Construction in progress	<u>807,788</u>	<u>9,035,660</u>	<u>0</u>	<u>9,843,448</u>
	<u>\$13,963,613</u>	<u>\$ 9,571,841</u>	<u>\$ 207,072</u>	<u>\$23,328,382</u>

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 5: FIXED ASSETS AND DEPRECIATION (Continued)

B. Proprietary Fund Type Fixed Assets

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

<u>Enterprise</u>	<u>June 30, 1999</u>
Equipment	\$ 436,694
Less: Accumulated Depreciation	<u>159,579</u>
Net Fixed Assets	<u>\$ 277,115</u>

NOTE 6: DEFERRED REVENUE

Deferred Revenue at year-end, consisted of:

Property taxes receivable	\$6,429,011
Federal commodities, unused	<u>29,709</u>
	<u>\$6,458,720</u>

NOTE 7: LONG-TERM OBLIGATIONS

	<u>Outstanding June 30, 1998</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 1999</u>
School Improvement Bonds, 3.7% - 5.35% variable rate interest, matures December 2023.	\$15,969,935	\$ 0	\$ 85,000	\$15,884,935
Intergovernmental payable	112,959	0	807	112,152
Capital lease payable	62,546	0	26,800	35,746
Compensated absences	<u>1,386,540</u>	<u>273,116</u>	<u>0</u>	<u>1,659,656</u>
	<u>\$17,531,980</u>	<u>\$ 273,116</u>	<u>\$ 112,607</u>	<u>\$17,692,489</u>

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

The annual requirement to amortize the bond outstanding as of June 30, 1999, including interest payments of \$13,469,636 are as follows:

Year Ending June 30,		
	2000	\$ 1,145,383
	2001	1,155,870
	2002	1,169,678
	2003	1,186,172
	2004	1,196,173
	Thereafter	<u>23,501,296</u>
	Total	<u>\$ 29,354,572</u>

The capital lease is for copiers with an original cost of \$134,000. Capital lease obligation minimum payments for the next two years ending June 30 are:

	2000	\$ 33,068
	2001	<u>5,511</u>
	Total minimum lease payments	38,579
	Less amount representing interest	<u>(2,833)</u>
	Present value of minimum lease payments	<u>\$ 35,746</u>

NOTE 8: PROPERTY TAXES

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

Real property taxes collected in 1998 were based on assessed value equal to thirty-five percent of appraisal value. The Holmes, Wayne, Coshocton, and Ashland County Auditors reappraise real property every six years with a triennial update, for which the last update was completed for the tax year 1998 for Holmes County, 1997 for Coshocton County, and 1996 for Ashland and Wayne Counties. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Holmes, Wayne, Coshocton and Ashland Counties, real property taxes are billed semi-annually, one year in arrears. The full tax rate applied to real property for the tax (calendar) year 1998 was \$36.30 for Holmes, Wayne, Ashland and Coshocton Counties per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$32.40 for Coshocton, Ashland, Holmes, and Wayne Counties per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$32.87 for Coshocton, Ashland, Holmes and Wayne Counties per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 8: PROPERTY TAXES (Continued)

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible property for the tax (calendar) year 1998 was \$36.30 for Holmes, Wayne, Coshocton and Ashland Counties per \$1,000 of assessed valuation.

The property valuation consisted of:

	<u>Holmes</u>	<u>Wayne</u>	<u>Coshocton</u>	<u>Ashland</u>
Real property				
Residential/				
Agricultural	\$153,163,100	\$2,821,620	\$3,671,470	\$ 962,460
Commercial/				
Industrial	25,255,320	197,160	18,390	36,250
Public utilities	18,590	6,980	0	0
Mineral	4,200,040	0	105,080	0
Tangible Personal				
Property				
General	21,417,010	262,048	71,222	312,320
Public Utilities	<u>20,040,930</u>	<u>2,360,430</u>	<u>367,890</u>	<u>12,100</u>
Total Valuation	<u>\$224,094,990</u>	<u>\$5,648,238</u>	<u>\$4,234,052</u>	<u>\$1,323,130</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amounts available to the District as an advance at June 30, 1998 were \$141,482, \$1,875, \$11,091 and \$8,295 from Holmes, Wayne, Coshocton, and Ashland Counties, respectively.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 9: RECEIVABLES

Receivables at June 30, 1999 consisted mostly of property taxes which are considered collectible in full due to the ability to foreclose for nonpayment. Accounts receivable at June 30, 1999 consisted of tuition and fees in the general fund, miscellaneous revenue in the special revenue funds and charges for services in the enterprise and internal service funds.

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%; 10.5% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$279,252, \$296,508 and \$263,091, respectively. 50% has been contributed for fiscal year 1999 and 100% for the fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999 of \$139,626 is recorded as a liability within the respective funds and the general long-term obligation account group.

B. State Teachers Retirement System (STRS)

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

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 12.0% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$961,992, \$922,536 and \$817,553, respectively; 83% has been contributed for fiscal year 1999 and 100% for the fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999 of \$160,332 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 11: POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$240,498 during the 1999 fiscal year. For the fiscal year ended June 30, 1998 (the latest information available), net health care costs paid by STRS statewide were \$219,224,000.

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

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year, employer contributions to fund health care benefits were 3.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 1999, the minimum pay was established at \$12,400. For the District the amount to fund healthcare benefits, including surcharge, equaled \$134,371 during the 1999 fiscal year. The number of participants currently receiving health care benefits statewide is 50,000. For the fiscal year ended June 30, 1998 (the latest information available), net health care costs by SERS statewide were \$111,900,575.

NOTE 12: NON-CASH TRANSACTIONS

The district receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$29,709.

NOTE 13: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 1999:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 412,222	\$ 0	\$ 412,222
Operating Expenses, less Depreciation	638,832	0	638,832
Depreciation Expense	12,894	0	12,894
Operating Loss	(239,504)	0	(239,504)
Non-operating Grants	232,093	0	232,093
Interest	8,138	0	8,138
Net Income	727	0	727
Net Working Capital	170,918	6,353	177,271
Total Assets	595,614	6,353	601,967
Total Equity	448,033	6,353	454,386

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 14: JOINTLY GOVERNED ORGANIZATIONS

A. Tri-County Computer Service Association (TCCSA)

TCCSA is a jointly governed organization comprised of 22 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 Services Center, located in Wooster, Ohio which serves as fiscal agent.

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

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

NOTES 15: RISK MANAGEMENT

A. General Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$1,000 per incident on property and \$250 per incident on equipment. The District's vehicle insurance policy limit is \$1,000,000 with a \$250 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the District carries a \$2,000,000 blanket umbrella policy. The limits of this coverage are \$1,000,000 per occurrence and \$5,000,000 in aggregate.

B. Fidelity Bond

The Superintendent has a \$20,000 position bond. The Treasurer and Board President are each covered under a surety bond in the amount of \$20,000.

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTES 15: RISK MANAGEMENT (Continued)

C. Workers' Compensation

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

D. Employee Health Insurance

The District has established a limited risk management program for its medical insurance program. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$40,000, and aggregate claims in excess of \$849,295. The liability for unpaid claims cost of \$130,508 is reported in the fund at June 30, 1999 in accordance with Government Accounting Standards Board Statement No. 10.

Changes in the fund's claims liability amount in 1998 and 1999 were:

	<u>Balance at Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance at End of Year</u>
1998	\$ 108,855	\$1,159,142	\$1,194,660	\$ 73,337
1999	\$ 73,337	\$1,241,292	\$1,184,121	\$ 130,508

NOTE 16: CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District at June 30, 1999.

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 17: SCHOOL FUNDING ISSUE

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio School Funding Plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$7,771,589 of school foundation support for its general fund.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient," clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 18: YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education management and Information System (EMIS)).

Holmes, Wayne, Coshocton and Ashland counties collect property taxes for distribution to the District. Holmes, Wayne, Coshocton and Ashland counties are responsible for remediating the tax collection system and are solely responsible for any costs associated with this project.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems and is solely responsible for any costs associated with this project.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems and is solely responsible for any costs associated with this project.

WEST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 18: YEAR 2000 ISSUE (Continued)

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

NOTE 19: STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (gaap-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance, July 1, 1998	\$ 0	\$ 0	\$ 70,670	\$ 70,670
Required Set-Aside	210,748	210,748	519,778	941,274
Offset Credits	(38,605)	0	0	(38,605)
Qualifying Expenditures	<u>(172,143)</u>	<u>(210,748)</u>	<u>0</u>	<u>(382,891)</u>
Balance June 30, 1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 590,448</u>	<u>\$ 590,448</u>

Expenditures for textbooks and instrumental materials during the year were \$250,953, which exceeded the required set-aside and the reserve balance. Expenditures for capital activity during the year were \$287,729, which exceeded the required set-aside and the reserve balance.

**SCHEDULE OF FEDERAL AWARDS, RECEIPTS, AND EXPENDITURES
JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	\$0	\$63,981	\$0	\$65,717
National School Lunch Program	N/A	10.555	<u>189,431</u>	<u>0</u>	<u>189,431</u>	<u>0</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>189,431</u>	<u>63,981</u>	<u>189,431</u>	<u>65,717</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title VI-B	6B-SF-98	84.027	(641)	0	48,698	0
	6B-SF-99	84.027	<u>134,970</u>	<u>0</u>	<u>109,937</u>	<u>0</u>
Total Title VI-B			<u>134,329</u>	<u>0</u>	<u>158,635</u>	<u>0</u>
Title I	C1-S1-98	84.010	61,234	0	101,590	0
	C1-S1-99	84.010	<u>354,194</u>	<u>0</u>	<u>309,825</u>	<u>0</u>
Total Title I			<u>415,428</u>	<u>0</u>	<u>411,415</u>	<u>0</u>
Continuous Improvement Grant	G2-A2-99	84.276	<u>16,493</u>	<u>0</u>	<u>8,564</u>	<u>0</u>
Dwight D. Eisenhower	MS-S1-98	84.281	0	0	8,191	0
	MS-S1-99	84.281	<u>14,188</u>	<u>0</u>	<u>3,161</u>	<u>0</u>
Total Dwight D. Eisenhower			<u>14,188</u>	<u>0</u>	<u>11,352</u>	<u>0</u>
Innovative Education Program	C2-S1-98	84.298	0	0	10,186	0
	C2-S1-99	84.298	<u>10,273</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Innovative Education Program			<u>10,273</u>	<u>0</u>	<u>10,186</u>	<u>0</u>
Total U.S. Department of Education			<u>590,711</u>	<u>0</u>	<u>600,152</u>	<u>0</u>
Total Federal Assistance			<u>\$780,142</u>	<u>\$63,981</u>	<u>\$789,583</u>	<u>\$65,717</u>

See Notes to the Schedule of Federal Awards, Receipts, and Expenditures

NOTES TO THE SCHEDULE OF FEDERAL AWARDS, RECEIPTS, AND EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. At June 30, 1999, the District had \$29,709 of food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001

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

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

To the Board of Education:

We have audited the general purpose financial statements of West Holmes Local School District, Holmes County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated November 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-10938-001.


We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 30, 1999.

Internal Control Over Financial Reporting

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

However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 30, 1999.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over the printed name.

JIM PETRO
Auditor of State

November 30, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW
Canton, Ohio 44702

Telephone 330-438-0617
800-443-9272

Facsimile 330-471-0001

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

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

To the Board of Education:

Compliance

We have audited the compliance of West Holmes Local School District, Holmes County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

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

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

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



JIM PETRO
Auditor of State

November 30, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster (CFDA 10.550/10.555)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding # 1999-10938-001

Ohio Rev. Code Section 5705.41 (D) states in part that no orders or contracts involving the expenditures of money are to be made unless there is a certificate of the fiscal office that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

**SCHEDULE OF FINDINGS
(Continued)**

Then and Now Certificate: This exception provides that, if the fiscal office can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

If the amount involved is less than \$1,000, the fiscal office may authorize it to be paid without the affirmation of the taxing authority, however, the expenditure still requires a Then and Now Certificate.

During our testing of expenditures, 10 percent of the vouchers selected for testing had fiscal officer's certificates which were issued after the date the District ordered the goods or services. In addition, we also noted that contracts totaling \$1,330,538 were not certified as available in the current fiscal year. In this instance, the obligation was incurred in the current fiscal year and funds were appropriated, however, the certification of the fiscal officer was not obtained until the subsequent fiscal year. There was no evidence that "Then and Now Certificates" were used.

We recommend that the District implement policies and procedures to ensure that fiscal officer's certificates are issued prior to the date contracts are entered into and goods or services are ordered.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW
Canton, Ohio 44702

Telephone 330-438-0617
800-443-9272

Facsimile 330-471-0001

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.

By: _____

Susan Babbitt

Clerk of the Bureau

Date: _____

JAN 11 2000