



**Auditor of State
Betty Montgomery**

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the West Holmes Local School District, Holmes County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 17, 2003

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WEST HOLMES LOCAL SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 7,711,597	\$ 305,662	\$ 1,233,544	\$ 572,223
Receivables:				
Taxes	5,954,260	0	934,085	387,225
Accounts	25,268	0	0	0
Interfund	250,000	0	0	0
Accrued Interest	47,587	0	2,776	855
Intergovernmental Receivable	293	4,675	0	0
Prepaid Items	13,002	0	0	0
Inventory Held For Resale	0	0	0	0
Materials and Supplies Inventory	74,773	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	70,670	0	0	0
Fixed Assets (Net of depreciation where applicable)	0	0	0	0
Total Assets	14,147,450	310,337	2,170,405	960,303
<u>Other Debits</u>				
Amount Available In Debt Service Fund for Retirement of General Long Term Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Other Debits	0	0	0	0
Total Assets and Other Debits	\$ 14,147,450	\$ 310,337	\$ 2,170,405	\$ 960,303
<u>Liabilities</u>				
Accounts Payable	\$ 282,806	\$ 14,178	\$ 0	\$ 118,053
Accrued Wages and Benefits	1,493,876	104,069	0	0
Compensated Absences Payable	5,104	0	0	0
Interfund Payable	0	0	0	0
Intergovernmental Payable	282,541	12,555	0	0
Deferred Revenue	5,669,162	0	877,378	366,707
Undistributed Monies	0	0	0	0
Bonds Payable	0	0	0	0
Claims Payable	0	0	0	0
Capital Lease Payable	0	0	0	0
Total Liabilities	7,733,489	130,802	877,378	484,760
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings/Accumulated Deficit:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	544,912	32,273	0	50,635
Reserved for Inventory	74,773	0	0	0
Reserved for BWC Refund	70,670	0	0	0
Reserved for Interfund Advances	250,000			
Reserved for Debt Services:				
Principal	0	0	1,236,320	0
Reserved for Tax Advances	285,098	0	56,707	20,518
Unreserved:				
Undesignated	5,188,508	147,262	0	404,390
Total Fund Equity and Other Credits	6,413,961	179,535	1,293,027	475,543
Total Liabilities, Fund Equity and Other Credits	\$ 14,147,450	\$ 310,337	\$ 2,170,405	\$ 960,303

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Types		Fiduciary Fund Types			General	General	Totals
Enterprise	Internal Service	Expendable Trust	Agency	Fixed Assets	Long-Term Obligations	(Memorandum Only)	
\$ 196,661	\$ 410,081	\$ 2,703	\$ 91,247	\$ 0	\$ 0	\$ 10,523,718	
0	0	0	0	0	0	7,275,570	
0	7,793	0	0	0	0	33,061	
0	0	0	0	0	0	250,000	
0	0	0	0	0	0	51,218	
0	0	0	0	0	0	4,968	
720	0	0	0	0	0	13,722	
29,320	0	0	0	0	0	29,320	
22,011	0	0	0	0	0	96,784	
0	0	0	0	0	0	70,670	
345,493	0	0	0	28,237,288	0	28,582,781	
594,205	417,874	2,703	91,247	28,237,288	0	46,931,812	
0	0	0	0	0	1,318,797	1,318,797	
0	0	0	0	0	15,401,254	15,401,254	
0	0	0	0	0	16,720,051	16,720,051	
\$ 594,205	\$ 417,874	\$ 2,703	\$ 91,247	\$ 28,237,288	\$ 16,720,051	\$ 63,651,863	
\$ 0	\$ 0	\$ 194	\$ 4,000	\$ 0	\$ 0	\$ 419,231	
60,509	0	0	0	0	0	1,658,454	
69,986	0	0	0	0	1,629,438	1,704,528	
0	250,000	0	0	0	0	250,000	
22,406	0	0	0	0	137,139	454,641	
29,320	0	0	0	0	0	6,942,567	
0	0	0	87,247	0	0	87,247	
0	0	0	0	0	14,754,935	14,754,935	
0	334,432	0	0	0	0	334,432	
0	0	0	0	0	198,539	198,539	
182,221	584,432	194	91,247	0	16,720,051	26,804,574	
0	0	0	0	28,237,288	0	28,237,288	
118,328	0	0	0	0	0	118,328	
293,656	(166,558)	0	0	0	0	127,098	
0	0	182	0	0	0	628,002	
0	0	0	0	0	0	74,773	
0	0	0	0	0	0	70,670	
						250,000	
0	0	0	0	0	0	1,236,320	
0	0	0	0	0	0	362,323	
0	0	2,327	0	0	0	5,742,487	
411,984	(166,558)	2,509	0	28,237,288	0	36,847,289	
\$ 594,205	\$ 417,874	\$ 2,703	\$ 91,247	\$ 28,237,288	\$ 16,720,051	\$ 63,651,863	

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, 2002

	Governmental Fund Types	
	General	Special Revenue
<u>Revenues</u>		
Taxes	\$ 5,797,218	\$ 0
Intergovernmental	9,496,604	761,121
Investment Income	341,691	3,788
Tuition and Fees	53,516	1,048
Extracurricular Activities	0	225,800
Miscellaneous	119,149	45,345
Total Revenues	15,808,178	1,037,102
<u>Expenditures</u>		
Current:		
Instruction		
Regular	7,270,121	177,520
Special	1,190,570	499,406
Vocational	361,404	0
Adult Continuing	159,631	0
Support Services:		
Pupils	800,780	28,638
Instructional Staff	468,833	96,514
Board of Education	121,394	0
Administration	1,419,566	127,266
Fiscal	382,650	15,949
Operation and Maintenance of Plant	1,684,121	0
Pupil Transportation	1,184,253	3,061
Central	5,382	0
Operation of Non-Instructional Services	302	0
Extracurricular Activities	216,859	163,198
Capital Outlay	18,946	0
Debt Service:		
Principal Retirement	59,061	0
Interest and Fiscal Charges	21,814	0
Total Expenditures	15,365,687	1,111,552
Excess of Revenues Over (Under) Expenditures	442,491	(74,450)
Fund Balances at Beginning Of Year	5,971,470	253,985
Fund Balances at End of Year	\$ 6,413,961	\$ 179,535

See Accompanying Notes to the General Purpose Financial Statements.

		Fiduciary Fund Type					
		Expendable Trust					
Debt Service	Capital Projects			Totals (Memorandum Only)			
\$	1,013,128	\$	388,159	\$	0	\$	7,198,505
	110,286		148,098		0		10,516,109
	18,503		21,800		0		385,782
	0		0		0		54,564
	0		0		0		225,800
	0		77,500		3,073		245,067
	1,141,917		635,557		3,073		18,625,827
	0		181,359		0		7,629,000
	0		0		0		1,689,976
	0		0		0		361,404
	0		0		0		159,631
	0		0		0		829,418
	0		0		1,939		567,286
	0		102,719		0		224,113
	0		0		0		1,546,832
	25,537		9,979		0		434,115
	0		0		0		1,684,121
	0		0		0		1,187,314
	0		0		0		5,382
	0		0		0		302
	0		0		0		380,057
	0		669,025		0		687,971
	405,000		0		0		464,061
	764,678		0		0		786,492
	1,195,215		963,082		1,939		18,637,475
	(53,298)		(327,525)		1,134		(11,648)
	1,346,325		803,068		1,375		8,376,223
\$	1,293,027	\$	475,543	\$	2,509	\$	8,364,575

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, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 5,923,741	\$ 5,923,747	\$ 6
Intergovernmental	9,516,893	9,498,040	(18,853)
Investment Income	420,137	423,983	3,846
Tuition and Fees	52,559	52,468	(91)
Extracurricular Activities	0	0	0
Miscellaneous	95,724	95,724	0
Total Revenues	16,009,054	15,993,962	(15,092)
Expenditures			
Current			
Instruction			
Regular	7,601,756	7,275,813	325,943
Special	1,254,309	1,156,939	97,370
Vocational	426,668	395,442	31,226
Other	278,166	225,899	52,267
Support Services			
Pupils	810,864	778,669	32,195
Instructional Staff	517,886	472,659	45,227
Board of Education	272,320	206,028	66,292
Administration	1,511,880	1,465,040	46,840
Fiscal	393,651	378,680	14,971
Operation and Maintenance of Plant	2,092,946	1,743,944	349,002
Pupil Transportation	1,552,500	1,437,129	115,371
Central	8,008	5,827	2,181
Operation of Non-Instructional Services	329	324	5
Extracurricular Activities	211,577	200,140	11,437
Capital Outlay	26,920	18,946	7,974
Debt Service			
Principal Retirement	59,061	59,061	0
Interest and Fiscal Charges	21,814	21,814	0
Total Expenditures	17,040,655	15,842,354	1,198,301
Excess of Revenues Over (Under) Expenditures	(1,031,601)	151,608	1,183,209
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	0	331	331
Advances Out	(250,000)	(250,000)	0
Total Other Financing Sources (Uses)	(250,000)	(249,669)	331
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,281,601)	(98,061)	1,183,540
Fund Balances at Beginning of Year	6,478,694	6,478,694	0
Prior Year Encumbrances Appropriated	573,913	573,913	0
Fund Balances at End of Year	\$ 5,771,006	\$ 6,954,546	\$ 1,183,540

See Accompanying Notes to the General Purpose Financial Statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 1,041,569	\$ 1,041,569	\$ 0
761,446	761,446	0	110,286	110,286	0
3,522	3,788	266	39,415	39,788	373
1,048	1,048	0	0	0	0
221,491	225,800	4,309	0	0	0
45,260	45,260	0	0	0	0
<u>1,032,767</u>	<u>1,037,342</u>	<u>4,575</u>	<u>1,191,270</u>	<u>1,191,643</u>	<u>373</u>
190,560	175,217	15,343	0	0	0
499,433	497,628	1,805	0	0	0
15,000	2,359	12,641	0	0	0
0	0	0	0	0	0
38,536	33,745	4,791	0	0	0
109,654	100,645	9,009	0	0	0
0	0	0	0	0	0
133,423	129,141	4,282	0	0	0
16,205	15,992	213	33,604	25,538	8,066
0	0	0	0	0	0
3,473	3,473	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
219,015	196,443	22,572	0	0	0
0	0	0	0	0	0
0	0	0	405,000	405,000	0
0	0	0	764,678	764,678	0
<u>1,225,299</u>	<u>1,154,643</u>	<u>70,656</u>	<u>1,203,282</u>	<u>1,195,216</u>	<u>8,066</u>
(192,532)	(117,301)	75,231	(12,012)	(3,573)	8,439
0	85	85	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>85</u>	<u>85</u>	<u>0</u>	<u>0</u>	<u>0</u>
(192,532)	(117,216)	75,316	(12,012)	(3,573)	8,439
329,562	329,562	0	1,237,117	1,237,117	0
46,861	46,861	0	0	0	0
<u>\$ 183,891</u>	<u>\$ 259,207</u>	<u>\$ 75,316</u>	<u>\$ 1,225,105</u>	<u>\$ 1,233,544</u>	<u>\$ 8,439</u>

WEST HOLMES LOCAL SCHOOL DISTRICT

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

For the Year Ended June 30, 2002

Capital Projects Funds			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 395,818	\$ 395,818	\$ 0
Intergovernmental	148,098	148,098	0
Investment Income	21,109	22,094	985
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	77,500	77,500	0
Total Revenues	642,525	643,510	985
Expenditures			
Current			
Instruction			
Regular	209,424	181,415	28,009
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	102,719	102,719	0
Administration	0	0	0
Fiscal	11,500	9,979	1,521
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	1,104,084	1,048,096	55,988
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	1,427,727	1,342,209	85,518
Excess of Revenues Over (Under) Expenditures	(785,202)	(698,699)	86,503
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	0	0	0
Advances Out	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	(785,202)	(698,699)	86,503
Fund Balance (Deficit) at Beginning of Year	772,632	772,632	0
Prior Year Encumbrances Appropriated	329,604	329,604	0
Fund Balance at End of Year	\$ 317,034	\$ 403,537	\$ 86,503

See Accompanying Notes to the General Purpose Financial Statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 7,361,128	\$ 7,361,134	\$ 6
0	0	0	10,536,723	10,517,870	(18,853)
0	0	0	484,183	489,653	5,470
0	0	0	53,607	53,516	(91)
0	0	0	221,491	225,800	4,309
3,073	3,073	0	221,557	221,557	0
3,073	3,073	0	18,878,689	18,869,530	(9,159)
0	0	0	8,001,740	7,632,445	369,295
0	0	0	1,753,742	1,654,567	99,175
0	0	0	441,668	397,801	43,867
0	0	0	278,166	225,899	52,267
0	0	0	849,400	812,414	36,986
2,387	2,202	185	629,927	575,506	54,421
0	0	0	375,039	308,747	66,292
0	0	0	1,645,303	1,594,181	51,122
0	0	0	454,960	430,189	24,771
0	0	0	2,092,946	1,743,944	349,002
0	0	0	1,555,973	1,440,602	115,371
0	0	0	8,008	5,827	2,181
0	0	0	329	324	5
0	0	0	430,592	396,583	34,009
0	0	0	1,131,004	1,067,042	63,962
0	0	0	464,061	464,061	0
0	0	0	786,492	786,492	0
2,387	2,202	185	20,899,350	19,536,624	1,362,726
686	871	185	(2,020,661)	(667,094)	1,353,567
0	0	0	0	416	416
0	0	0	(250,000)	(250,000)	0
0	0	0	(250,000)	(249,584)	416
686	871	185	(2,270,661)	(916,678)	1,353,983
1,298	1,298	0	8,819,303	8,819,303	0
158	158	0	950,536	950,536	0
\$ 2,142	\$ 2,327	\$ 185	7,499,178	8,853,161	\$ 1,353,983

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, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues</u>			
Charges for Services	\$ 480,472	\$ 0	\$ 480,472
Premium Revenues	0	1,668,752	1,668,752
Total Operating Revenues	480,472	1,668,752	2,149,224
<u>Operating Expenses</u>			
Salaries	353,776	0	353,776
Fringe Benefits	155,737	0	155,737
Purchased Services	11,326	1,885,189	1,896,515
Materials and Supplies	341,334	0	341,334
Depreciation	84,991	0	84,991
Total Operating Expenses	947,164	1,885,189	2,832,353
Operating Loss	(466,692)	(216,437)	(683,129)
<u>Non-Operating Revenues</u>			
Operating Grants	272,181	0	272,181
Interest	6,346	9,648	15,994
Total Non-Operating Revenues	278,527	9,648	288,175
Net Loss	(188,165)	(206,789)	(394,954)
Retained Earnings at Beginning of Year	481,821	40,231	522,052
Retained Earnings/(Accumulated Deficit) at End of Year	293,656	(166,558)	127,098
Contributed Capital at End of Year	118,328	0	118,328
Total Fund Equity/(Accumulated Deficit) at End of Year	\$ 411,984	\$ (166,558)	\$ 245,426

See Accompanying Notes to the General Purpose Financial Statements.

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

For the Year Ended June 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Cash Flows From Operating Activities</u>			
Cash Paid for Claims	\$0	(1,944,505)	\$ (1,944,505)
Cash Received from Customers	480,472	1,914,932	2,395,404
Cash Paid for Goods and Services	(363,457)	(23,809)	(387,266)
Cash Paid to Employees	(482,687)	0	(482,687)
Net Cash Used For Operating Activities	(365,672)	(53,382)	(419,054)
<u>Cash Flows From Non-Capital Financing Activities</u>			
Grants	272,181	0	272,181
<u>Cash Flows From Capital and Related Financing Activities</u>			
Cash Paid for the Purchase of Equipment	(10,764)	0	(10,764)
<u>Cash Flows From Investing Activities</u>			
Interest Received	6,346	14,731	21,077
Net Decrease in Cash and Cash Equivalents	(97,909)	(38,651)	(136,560)
Cash and Cash Equivalents at Beginning of Year	294,570	448,732	743,302
Cash and Cash Equivalents at End of Year	\$ 196,661	\$ 410,081	\$ 606,742
<u>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</u>			
Operating Loss	\$ (466,692)	\$ (216,437)	\$ (683,129)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:			
Depreciation	84,991	0	84,991
Loss on disposal of assets	82	0	82
(Increase) Decrease in Accounts Receivable	0	(3,820)	(3,820)
(Increase) Decrease in Inventory	(11,466)	0	(11,466)
(Increase) Decrease in Prepaid Items	(565)	0	(565)
Increase (Decrease) in Accounts Payable	(6,529)	(23,809)	(30,338)
Increase (Decrease) in Accrued Wages and Benefits	26,826	0	26,826
Increase (Decrease) in Interfund Payable	0	250,000	250,000
Increase (Decrease) in Due to Other Governments	1,295	0	1,295
Increase (Decrease) in Deferred Revenue	6,386	0	6,386
Increase (Decrease) in Claims Payable	0	(59,316)	(59,316)
Total Adjustments	101,020	163,055	264,075
Net Cash Used For Operating Activities	\$ (365,672)	\$ (53,382)	\$ (419,054)

See Accompanying Notes to the General Purpose Financial Statements.

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WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

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, 2001, was 2,697. The District employs 191 certificated and 128 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. The District is also involved with the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. See Note 14 for additional information on this pool.

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
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

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 and the expendable trust fund use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year end.

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which are levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Types (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses.

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

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the payment of general long-term obligation principal, interest, and related costs.

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

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Types

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with Governmental Accounting Standards Board pronouncements. Proprietary funds include the following fund types:

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

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

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 Fund - The Expendable trust fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

Agency Fund - The Agency fund is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the District holds for others in an agency capacity. The Agency fund is accounted for using the modified accrual basis of accounting.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Account Groups

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

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

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

B. Deposits and Investments

For purposes of the statement of cash flows, the District considers all investments of pooled cash and all investments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is recorded in the General Fund, as permitted by the Ohio Revised Code. Investments are stated at cost which approximates market value at year-end. Following Ohio statutes, the Board of Education has, by resolution, specified the General Fund to receive allocation of interest earnings. Interest credited to the General Fund during the fiscal year ended June 30, 2002 totaled \$341,691.

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
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

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 \$250,000 of 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, 2002 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 on the date of donation.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

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 remaining estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: equipment - 5 to 20 years. The capitalization threshold is \$500.

I. Accrued Liabilities and Long-Term Obligations

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

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

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

J. Interfund Transactions

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

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

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

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

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, debt services, BWC refund, interfund advances, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriations under State statute.

M. Intergovernmental Revenues

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

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Intergovernmental Revenues (Continued)

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

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 2002 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.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a BWC refund reserve. This reserve is required by State statute. The BWC refund reserve can be used only for purposes specified by the statute. Fund balance reserves have also been established.

P. Contributions of Capital

Contributed capital reported in the enterprise funds represent resources provided from other funds, other governments, and private sources that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contribute resources is expensed and closed to unreserved retained earnings at year end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue beginning in fiscal year 2001 and a component of retained earnings at fiscal year-end. There were no capital contributions received by the enterprise funds in 2002. Contributed capital in the enterprise funds at June 30, 2002, is \$118,328. This amount originated prior to GASB Statement No. 33.

NOTE 3: BUDGETARY PROCESS 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 fund/function/object level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

B. Budgetary Basis

Tax Budget

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

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 3: BUDGETARY PROCESS, AND ACCOUNTABILITY (Continued)

B. Budgetary Basis (Continued)

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, 2001 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 affixes spending authority at the fund, function, and object level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

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

Lapsing of Appropriations

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

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 3: BUDGETARY PROCESS, AND ACCOUNTABILITY (Continued)

B. Budgetary Basis (Continued)

Encumbrances

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

Budgetary Reporting

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

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

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 3: BUDGETARY PROCESS, 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	\$ (98,061)	\$ (117,216)	\$ (3,573)	\$ (698,699)	\$ 871
Revenue accruals	(185,784)	(240)	(49,726)	(7,953)	0
Expenditure accruals	(351,051)	(3,360)	1	210,439	(113)
Net Adjustment for other financing sources (uses)	249,669	(85)	0	0	0
Encumbrances outstanding at year end	<u>827,718</u>	<u>46,451</u>	<u>0</u>	<u>168,688</u>	<u>376</u>
GAAP Basis	<u>\$ 442,491</u>	<u>\$ (74,450)</u>	<u>\$ (53,298)</u>	<u>\$ (327,525)</u>	<u>\$ 1,134</u>

C. Accumulated Deficit

The self insurance internal service fund had a deficit retained earnings of \$166,558. The District is currently addressing the deficit retained earnings to determine what to do to generate a positive balance.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

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 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 4: DEPOSITS (Continued)

- 6) The State Treasurer's Investment Pool (STAR Ohio);
- 7) Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 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 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.

At year-end, the carrying amount of the District's deposits was \$10,594,388 and the bank balance was \$10,672,095. Of the bank balance:

1. \$268,091 was covered by federal depository insurance.
2. \$10,404,004 was covered by collateral held in the pledging bank's trust department in the District's name.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 5: FIXED ASSETS AND DEPRECIATION

A. General Fixed Assets Account Group

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

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2002</u>
Land, Buildings and Improvements	\$ 20,304,862	\$ 162,912	\$ 74,157	\$ 20,393,617
Furniture and equipment	4,665,806	234,480	210,447	4,689,839
Vehicles	1,657,534	245,920	151,200	1,752,254
Textbooks	<u>1,475,062</u>	<u>76,253</u>	<u>149,737</u>	<u>1,401,578</u>
	<u>\$ 28,103,264</u>	<u>\$ 719,565</u>	<u>\$ 585,541</u>	<u>\$ 28,237,288</u>

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, 2002</u>
Equipment	\$ 606,120
Less: Accumulated Depreciation	<u>(260,627)</u>
Net Fixed Assets	<u>\$ 345,493</u>

NOTE 6: DEFERRED REVENUE

Deferred Revenue at year-end, consisted of:

Property taxes receivable	\$6,913,247
Federal commodities, unused	<u>29,320</u>
	<u>\$6,942,567</u>

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 7: LONG-TERM OBLIGATIONS

	<u>Outstanding June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2002</u>
School Improvement Bonds, 3.7% - 5.35% variable rate interest, matures December 2023.	\$ 15,159,935	\$ 0	\$ 405,000	\$14,754,935
Intergovernmental payable	138,675	0	1,536	137,139
Capital lease payable	257,600	0	59,061	198,539
Compensated absences	<u>1,601,390</u>	<u>28,048</u>	<u>0</u>	<u>1,629,438</u>
	<u>\$17,157,600</u>	<u>\$ 28,048</u>	<u>\$ 465,597</u>	<u>\$16,720,051</u>

The annual requirement to amortize the bond outstanding as of June 30, 2002, including interest payments of \$11,128,706 are as follows:

Year Ending June 30,	
2003	\$ 1,186,173
2004	1,196,173
2005	1,186,272
2006	1,185,793
2007	1,184,052
2008-2012	5,896,854
2013-2017	5,868,718
2018-2022	5,849,206
2023-2024	<u>2,330,400</u>
Total	<u>\$ 25,883,641</u>

In prior years, the District entered into capitalized leases for copiers. The total capitalized cost of the copiers is \$404,374. All of the leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service payments. General fixed assets acquired by the leases have been capitalized in the General Fixed Assets Account Group in the amount equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long Term Obligations Account Group. The following summarizes future minimum lease payments under the above capital leases, and the present values of net minimum lease payments at June 30, 2002:

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

Year Ending June 30,		
	2003	\$ 80,875
	2004	80,875
	2005	63,825
	2006	<u>1,717</u>
	Total Minimum Lease Payments	227,292
	Less: Amounts Representing Interest	<u>(28,753)</u>
	Present Value of Net Minimum Lease Payments	<u>\$ 198,539</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 2001 were based on assessed value equal to 35 percent of appraisal value. The Holmes, Wayne, Coshocton, and Ashland County Auditors reappraise real property every six years with a triennial update, for which the last update was completed for the tax year 1998 for Holmes County, 2000 for Coshocton County, and 1999 for Ashland and Wayne Counties. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Holmes, Wayne, Coshocton and Ashland Counties, real property taxes are billed semi-annually, one year in arrears. The full tax rate applied to real property for the tax (calendar) year 2001 was \$34.10 for Holmes, Wayne, Ashland and Coshocton Counties per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$30.09 for Coshocton, Ashland, Holmes, and Wayne Counties per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$30.55 for Coshocton, Ashland, Holmes and Wayne Counties per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible property for the tax (calendar) year 2001 was \$34.10 for Holmes, Wayne, Coshocton and Ashland Counties per \$1,000 of assessed valuation.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 8: PROPERTY TAXES (Continued)

The property valuation consisted of:

	<u>Holmes</u>	<u>Wayne</u>	<u>Coshocton</u>	<u>Ashland</u>
Real property				
Residential/				
Agricultural	\$177,087,590	\$ 3,494,760	\$ 4,396,140	\$1,215,880
Commercial/				
Industrial	30,379,670	190,540	18,790	36,250
Public utilities	23,480	8,830	0	0
Mineral	2,241,640	0	75,530	0
Tangible Personal				
Property				
General	22,784,070	262,070	33,860	1,190
Public Utilities	<u>16,199,720</u>	<u>1,856,720</u>	<u>305,050</u>	<u>222,120</u>
Total Valuation	<u>\$248,716,170</u>	<u>\$ 5,812,920</u>	<u>\$ 4,829,370</u>	<u>\$1,475,440</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2002. 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, 2002 were \$498,948, \$16,278, \$3,705 and \$8,042 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, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 9: RECEIVABLES

Receivables at June 30, 2002 consisted mostly of property taxes which are considered collectible in full due to the ability to foreclose for nonpayment. Accounts receivable at June 30, 2002 consisted of tuition & fees in the general fund and charges for services in the internal service funds.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS) (Continued)

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement system administered by the SERS 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 financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746, or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 5.46 percent was the portion to fund pension obligations. For fiscal year 2001, 4.20 percent was used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$362,832, \$366,552 and \$311,484, respectively; 50 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002 of \$181,416 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 STRS 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 financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614)227-4090.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (STRS)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent 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 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$1,218,072, \$1,105,608 and \$1,005,792, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002 of \$203,012 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, 2002, all members of the Board of Education have elected Social Security. The District's liability is 6.2 percent 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 partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the District, this amount equaled \$391,523 during the 2002 fiscal year. For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS statewide were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount to fund healthcare benefits, including surcharge, equaled \$284,737 during the 2002 fiscal year. The number of participants currently receiving health care benefits statewide is approximately 50,000. For the fiscal year ended June 30, 2001 (the latest information available), net health care costs by SERS statewide were \$161,439,934 and the target level was \$242.2 million. SERS had net assets available for payment of health care benefits of \$315.7 million at June 30, 2001 (the latest information available).

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 \$29,320.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

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, 2002:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 480,472	\$ 0	\$ 480,472
Operating Expenses, less Depreciation	862,173	0	862,173
Depreciation Expense	84,991	0	84,991
Operating Loss	(466,692)	0	(466,692)
Non-operating Grants	272,181	0	272,181
Other Income	6,346	0	6,346
Net Loss	(188,165)	0	(188,165)
Net Working Capital	60,138	6,353	66,491
Total Assets	587,852	6,353	594,205
Total Equity	405,631	6,353	411,984

NOTE 14: JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOL

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.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 14: JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOL

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

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its 11 member school districts. The Career Center is governed by a board of education comprised of 11 members appointed by the participating schools. The Board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no measurable equity interest exists.

C. Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan's business affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school district is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan.

NOTES 15: RISK MANAGEMENT

A. General Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$1,000 per incident on property and \$100 per incident on equipment. The District's vehicle insurance policy limit is \$2,000,000 with a \$250 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the District carries a \$1,000,000 blanket umbrella policy. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 in aggregate. Settlements have not exceeded insurance coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

The Superintendent, Assistant Superintendent, and school board members are each covered by a \$25,000 position bond. The Treasurer is covered under a surety bond in the amount of \$50,000.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTES 15: RISK MANAGEMENT (Continued)

C. Workers' Compensation

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. The program is intended to reduce premiums for the participants. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the program. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the program. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to members that can meet the program's selection criteria. The districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the program. Each year the District pays an enrollment fee to the program to cover the costs of administration.

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 \$50,000, and aggregate claims in excess of \$1,756,880. The liability for unpaid claims cost of \$334,432 is reported in the fund at June 30, 2002 in accordance with Government Accounting Standards Board Statement No. 10.

Changes in the fund's claims liability amount in 2001 and 2002 were:

	Balance at Beginning of Year	Claims	Payments	Balance at End of Year
2001	\$ 235,075	\$1,602,339	\$1,443,666	\$ 393,748
2002	\$ 393,748	\$1,885,189	\$1,944,505	\$ 334,432

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 16: CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District at June 30, 2002.

B. Litigation

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

NOTE 17: STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 18: STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition</u>	<u>BWC Reserve (formerly Budget Stabilization)</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 2001	\$ 0	\$ 0	\$ 70,670	\$ 70,670
Current year set-aside requirement	338,567	338,567	0	677,134
Current year qualifying disbursements	(264,890)	(416,008)	0	(680,898)
Prior year excess qualifying disbursements	<u>(447,060)</u>	<u>0</u>	<u>0</u>	<u>(447,060)</u>
Total	<u>\$ (373,383)</u>	<u>\$ (77,441)</u>	<u>\$ 70,670</u>	<u>\$ (380,154)</u>
Amount available to carryforward to FY 2003	<u>\$ (373,383)</u>	<u>\$ 0</u>	<u>\$ 70,670</u>	
Cash balance carried forward to FY 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 70,670</u>	
Total restricted assets				<u>\$ 70,670</u>

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

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

WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 18: STATUTORY RESERVES (continued)

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

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for BWC refunds	<u>\$ 70,670</u>
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**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Passed Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Education</u>						
<i>(Passed through the Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-2001	\$11,453		\$83,108	
		C1-S1-2002	358,084		340,781	
Total Title I Grants to Local Educational Agencies			<u>369,537</u>		<u>423,889</u>	
Special Education Cluster:						
Special Education Grants to States	84.027	6B-SF-01P	0		27,014	
		6B-SF-02P	219,715		193,530	
Total Special Education Cluster			<u>219,715</u>		<u>220,544</u>	
Safe and Drug-Free Schools and Communities State Grants	84.186	DR-S1-2001	7,716		7,716	
		DR-S1-2002	3,423		3,423	
Total Safe and Drug-Free and Communities State Grants			<u>11,139</u>		<u>11,139</u>	
Innovative Education Program Strategies	84.298	C2-S1-2001	0		1,812	
		C2-S1-2002	4,088		4,088	
Total Innovative Education Program Strategies			<u>4,088</u>		<u>5,900</u>	
Eisenhower Professional Development State Grants	84.281	MS-S1-2000	0		90	
		MS-S1-2001	1,188		4,488	
		MS-S1-2002	14,594		3,397	
Total Eisenhower Professional Development State Grants			<u>15,782</u>		<u>7,975</u>	
Class Size Reduction	84.340	CR-S1-2002	5,406		15,492	
			87,392		70,289	
Total Class Size Reduction			<u>92,798</u>		<u>85,781</u>	
Goals 2000 State and Local Education Systemic Improvement Grants	84.276		15,000		0	
Total U.S. Department of Education			<u>728,059</u>		<u>755,228</u>	
<u>U.S. Department of Health and Human Services</u>						
<i>(Passed through the Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
Medical Assistance Program	93.778	N/A	91,258		91,258	
<u>U.S. Department of Agriculture</u>						
<i>(Passed through the Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Food Donation Program	10.550	N/A		\$72,259		\$68,873
National School Lunch Program	10.555	N/A	260,193		260,193	
Total U.S. Department of Agriculture (Child Nutrition Cluster)			<u>260,193</u>	<u>72,259</u>	<u>260,193</u>	<u>68,873</u>
Totals			<u>\$1,079,510</u>	<u>\$72,259</u>	<u>\$1,106,679</u>	<u>\$68,873</u>

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

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District had \$29,320 of food commodities in inventory.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the general purpose financial statements of the West Holmes Local School District, Holmes County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 17, 2003.

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.

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

However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 17, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 17, 2003



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of the West Holmes Local School District, Holmes County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

January 17, 2003

**WEST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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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
FEBRUARY 13, 2003**