



Rea & associates *a brighter way*

# West Holmes Local School District Holmes County, Ohio

## *Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2013





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the West Holmes Local School District, Holmes County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 12, 2013

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**WEST HOLMES LOCAL SCHOOL DISTRICT  
HOLMES COUNTY, OHIO  
JUNE 30, 2013**

*Table of Contents*

	<i>Page</i>
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	19
Statement of Fund Net Position – Proprietary Fund .....	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund .....	21
Statement of Cash Flows – Proprietary Fund .....	22
Statement of Fiduciary Assets and Liabilities – Agency Fund .....	23
Notes to the Basic Financial Statements .....	24

**WEST HOLMES LOCAL SCHOOL DISTRICT  
HOLMES COUNTY, OHIO  
JUNE 30, 2013**

*Table of Contents  
(Continued)*

	<i>Page</i>
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	49
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133.....	51
Schedule of Expenditures of Federal Awards – Cash Basis.....	53
Notes to Schedule of Expenditures of Federal Awards – Cash Basis .....	54
Schedule of Findings & Questioned Costs .....	55
Independent Accountant’s Report on Applying Agreed-Upon Procedures.....	56

November 20, 2013

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

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Holmes Local School District, Holmes County, Ohio (the "School District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Medina, OH

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**West Holmes Local School District**  
**Holmes County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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The discussion and analysis of the West Holmes Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2013 are as follows:

- Net position decreased \$771,949, which represents a 3.6 percent decrease from 2012.
- Capital assets decreased \$425,320 during fiscal year 2013.
- During the year, outstanding debt decreased from \$10,605,000 to \$9,900,000 due to principal payments made by the School District.

***Using this Annual Report***

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

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

***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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

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

***Reporting the School District's Most Significant Funds***

***Fund Financial Statements***

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District has one major governmental fund and that is the general fund.

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

***Proprietary Fund*** The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 20.

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in the Statement of Fiduciary Assets and Liabilities on page 23. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012:

**Table 1**  
**Net Position**

	Governmental Activities	
	2013	2012
<b>Assets</b>		
Current and Other Assets	\$ 22,790,715	\$ 24,170,959
Capital Assets	21,497,488	21,922,808
<i>Total Assets</i>	44,288,203	46,093,767
<b>Liabilities</b>		
Other Liabilities	11,984,383	12,076,845
Long-Term Liabilities	11,589,275	12,530,428
<i>Total Liabilities</i>	23,573,658	24,607,273
<b>Net Position</b>		
Net Investment in Capital Assets	11,597,476	11,317,796
Restricted	1,928,618	1,789,243
Unrestricted	7,188,451	8,379,455
<i>Total Net Position</i>	\$ 20,714,545	\$ 21,486,494

The School District has seen a significant decrease in current and other assets during fiscal year 2013. Capital assets decreased \$425,320 due to depreciation exceeding additions and cash has decreased \$1,512,103 due to the School District's expenditures exceeding revenues.

Total liabilities decreased by \$1,033,615. Debt principal payments were made in the amount of \$705,000 in fiscal year 2013.

At year end, capital assets represented 48.5 percent of total assets. Capital assets include land, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investment in capital assets was \$11,597,476 at June 30, 2013. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

A portion of the School District's net position, \$1,928,618 or 9.3 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$7,188,451 may be used to meet the government's ongoing obligations to students and creditors.

Table 2 shows the changes in net position for fiscal year 2013 and 2012.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2013	2012
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,413,832	\$ 1,361,341
Operating Grants, Contributions and Interest	2,592,668	2,535,311
<i>Total Program Revenues</i>	<u>4,006,500</u>	<u>3,896,652</u>
<i>General Revenues:</i>		
Property Taxes	9,604,262	9,877,138
Grants and Entitlements Not Restricted	11,604,912	11,475,677
Other	184,795	95,345
<i>Total General Revenues</i>	<u>21,393,969</u>	<u>21,448,160</u>
<i>Total Revenues</i>	<u>25,400,469</u>	<u>25,344,812</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	11,383,125	11,376,699
Special	3,639,029	3,585,238
Vocational	311,567	293,337
Student Intervention Services	6,646	0
Other	1,495	0
<i>Support Services:</i>		
Pupils	834,173	778,504
Instructional Staff	1,261,676	1,147,038
Board of Education	33,718	31,808
Administration	1,948,610	1,999,782
Fiscal	577,290	582,554
Business	11,883	12,288
Operation and Maintenance of Plant	2,099,095	2,331,040
Pupil Transportation	1,775,922	1,828,603
Central	67,427	61,880
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,071,737	1,062,606
Community Services	63,656	36,827
Extracurricular Activities	664,573	650,001
<i>Debt Service:</i>		
Interest and Fiscal Charges	420,796	447,143
<i>Total Expenses</i>	<u>26,172,418</u>	<u>26,225,348</u>
<i>Increase (Decrease) in Net Position</i>	(771,949)	(880,536)
<i>Net Position at Beginning of Year</i>	<u>21,486,494</u>	<u>22,367,030</u>
<i>Net Position at End of Year</i>	<u>\$ 20,714,545</u>	<u>\$ 21,486,494</u>

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

The School District saw a decrease of \$771,949 in net position due to expenses exceeding revenues.

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

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2013	2012	2013	2012
<b>Instruction:</b>				
Regular	\$ 11,383,125	\$ 11,376,699	\$ 10,347,482	\$ 10,593,680
Special	3,639,029	3,585,238	2,518,228	2,508,114
Vocational	311,567	293,337	241,564	223,334
Student Intervention Services	6,646	0	6,646	0
Other	1,495	0	(8,796)	0
<b>Support Services:</b>				
Pupils	834,173	778,504	787,879	775,630
Instructional Staff	1,261,676	1,147,038	943,426	880,460
Board of Education	33,718	31,808	33,718	31,808
Administration	1,948,610	1,999,782	1,801,748	1,847,345
Fiscal	577,290	582,554	577,290	582,554
Business	11,883	12,288	11,883	12,288
Operation and Maintenance of Plant	2,099,095	2,331,040	2,091,354	2,243,983
Pupil Transportation	1,775,922	1,828,603	1,775,922	1,766,833
Central	67,427	61,880	63,526	61,880
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	1,071,737	1,062,606	67,969	35,613
Community Services	63,656	36,827	63,656	36,827
Extracurricular Activities	664,573	650,001	421,627	281,204
<b>Debt Service:</b>				
Interest and Fiscal Charges	420,796	447,143	420,796	447,143
<b>Total Expenses</b>	<b>\$ 26,172,418</b>	<b>\$ 26,225,348</b>	<b>\$ 22,165,918</b>	<b>\$ 22,328,696</b>

The dependence upon general revenues for governmental activities is apparent. Nearly 85 percent of governmental activities are supported through taxes and other general revenues; such revenues are 84 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

The net cost of services decreased \$160,628 due to a reduction in expenses throughout the year.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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***Governmental Funds***

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$25,453,824 and expenditures of \$26,530,147 for fiscal year 2013.

The general fund's net change in fund balance for fiscal year 2013 was a decrease of \$1,080,862. There is a slight decrease in revenue due to a decrease in tuition and fees revenue and a \$771,220 increase in expenditures which is mostly due to increases in salaries and costs of benefits.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2013, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$20,632,740, which is lower than the final budget basis revenue by \$18,570. There were no significant fluctuations causing this variance.

Final expenditure appropriations of \$22,251,438 were equal to final expenditures. Final budget for appropriations was only \$176,155 higher than the original appropriations budget.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2013, the School District had \$21,497,488 invested in capital assets. Table 4 shows fiscal year 2013 balances compared with 2012.

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

	Governmental Activities	
	2013	2012
Land	\$ 643,088	\$ 643,088
Buildings and Improvements	19,474,751	20,011,653
Furniture and Equipment	259,394	222,401
Vehicles	887,789	811,093
Infrastructure	232,466	234,573
<i>Totals</i>	\$ 21,497,488	\$ 21,922,808

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

The \$425,320 decrease in capital assets was attributable to current year depreciation exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

**Debt**

At June 30, 2013, the School District had \$9,900,000 in debt outstanding. See Note 12 for additional details. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2013	2012
2005 School Improvement Current Interest Bonds	\$ 9,900,000	\$ 10,605,000

There is a \$705,000 decrease due to principal payments made during the fiscal year.

***Current Issues***

The West Holmes Local School District secured its last new operating levy on August 5, 2008, the first new issue since 1994. After repeated levy attempts prior to August 2008, budget cuts were done reducing staffing levels by over 25 positions. The cumulative effect of these cuts has been nearly \$11,000,000 less in expenditures over the past several years. The cut positions are evaluated annually while reviewing educational needs to serve approximately 2,500 students each year. It is always the goal of the Board of Education and district administration to make levy dollars last as long as possible. Multiple changes are happening with legislation that have a direct effect on half of the district's operating income, state foundation revenue. The key is to balance the budget while meeting the state's requirements for academic improvement. Failure to meet these academic improvements results in financial penalties in order for the state to keep local districts from prioritizing budget needs over instructional needs. Funding shifts from the state's allocation into targeted areas requires us to look for areas to meet new spending requirements without growing the budget.

The School District receives 55 percent of its General Fund revenue from State and Federal sources and 45 percent from local and miscellaneous sources. Because the School District depends on State revenue, the determined outcome of new funding formula to be included is critical to the funding of the district.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth, which has always helped the School District. Funding has been reduced over the past couple of years during transition formulas, the Evidence Based Funding model and the Bridge Funding Formula. The districts state funding has decreased by over \$1,600,000 since Fiscal Year 2009. The recently adopted biennium budget is predicted to result in minimal increases to the district but final numbers to date have not been provided by the Ohio Department of Education. The new funding formula will still consider student enrollment, property valuation, and district poverty populations.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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

The School District has controlled expenses very well in tough economic times where all costs are increasing. This has become more difficult with the many mandates and rising utility costs, increased special education services required for our students, and significant increases in all services due to the economy. The changes in the health care plan effective for Fiscal Year 2005 improved the School District's financial position in terms of employee benefits. The School District had a 10 percent increase in premiums in Fiscal Year 2006. The district has since been fortunate to have not had to increase board share premiums from Fiscal Years 2007 through 2014 due to the health of the self-insurance plan and members. The district has also negotiated with both the teacher's and non-teaching unions a maximum of a ten percent allowed increase from Aultcare to maintain the current benefit design. Any increases above that threshold will require a change in benefit design. This allows the School District to budget and control health care costs a rate lower than industry trends for medical insurance. The District has recently concluded negotiations with both union associations in the district representing teaching and non-teaching staff. Both groups agreed to a zero percent increase on the index resulting in no changes to the salary schedules.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jamie Zeigler, Treasurer of West Holmes Local School District, 28 W Jackson Street, Millersburg, OH 44654 or [whol\\_zeigler@tccsa.net](mailto:whol_zeigler@tccsa.net).

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Statement of Net Position*  
*June 30, 2013*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 12,321,670
Inventory Held For Resale	17,116
Materials and Supplies Inventory	39,298
Receivables:	
Accounts	55,842
Intergovernmental	548,137
Property Taxes	9,691,602
Deferred Charges	117,050
Nondepreciable Capital Assets	643,088
Depreciable Capital Assets (Net)	20,854,400
<i>Total Assets</i>	44,288,203
<b>Liabilities</b>	
Accounts Payable	49,198
Accrued Wages and Benefits	2,171,862
Intergovernmental Payable	545,764
Accrued Vacation Leave Payable	125,560
Matured Compensated Absences Payable	86,744
Accrued Interest Payable	34,240
Claims Payable	263,423
Deferred Revenue	8,707,592
Long Term Liabilities:	
Due Within One Year	765,000
Due In More Than One Year	10,824,275
<i>Total Liabilities</i>	23,573,658
<b>Net Position</b>	
Net Investment in Capital Assets	11,597,476
Restricted For:	
Capital Outlay	582,633
Debt Service	775,846
Other Purposes	570,139
Unrestricted	7,188,451
<i>Total Net Position</i>	\$ 20,714,545

See accompanying notes to the basic financial statements.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 11,383,125	\$ 728,283	\$ 307,360	\$ (10,347,482)
Special	3,639,029	5,424	1,115,377	(2,518,228)
Vocational	311,567	0	70,003	(241,564)
Student Intervention Services	6,646	0	0	(6,646)
Other	1,495	0	10,291	8,796
Support Services:				
Pupils	834,173	0	46,294	(787,879)
Instructional Staff	1,261,676	0	318,250	(943,426)
Board of Education	33,718	0	0	(33,718)
Administration	1,948,610	0	146,862	(1,801,748)
Fiscal	577,290	0	0	(577,290)
Business	11,883	0	0	(11,883)
Operation and Maintenance of Plant	2,099,095	0	7,741	(2,091,354)
Pupil Transportation	1,775,922	0	0	(1,775,922)
Central	67,427	0	3,901	(63,526)
Operation of Non-Instructional Services:				
Food Service Operations	1,071,737	438,909	564,859	(67,969)
Community Services	63,656	0	0	(63,656)
Extracurricular Activities	664,573	241,216	1,730	(421,627)
Debt Service:				
Interest and Fiscal Charges	420,796	0	0	(420,796)
<b>Total</b>	<b>\$ 26,172,418</b>	<b>\$ 1,413,832</b>	<b>\$ 2,592,668</b>	<b>(22,165,918)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	8,225,412
Debt Service	975,300
Capital Outlay	403,550
Grants and Entitlements Not Restricted to Specific Programs	11,604,912
Investment Earnings	26,678
Miscellaneous	158,117

*Total General Revenues* 21,393,969

*Change in Net Position* (771,949)

*Net Position Beginning of Year* 21,486,494

*Net Position End of Year* \$ 20,714,545

See accompanying notes to the basic financial statements.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 9,090,479	\$ 1,753,760	\$ 10,844,239
Inventory Held For Resale	0	17,116	17,116
Materials and Supplies Inventory	39,298	0	39,298
Receivables:			
Accounts	53,629	2,213	55,842
Interfund	50,593	0	50,593
Intergovernmental	15,478	532,659	548,137
Property Taxes	8,314,121	1,377,481	9,691,602
<i>Total Assets</i>	<u>\$ 17,563,598</u>	<u>\$ 3,683,229</u>	<u>\$ 21,246,827</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 24,800	\$ 24,398	\$ 49,198
Accrued Wages and Benefits	1,893,725	278,137	2,171,862
Intergovernmental Payable	482,984	62,780	545,764
Matured Compensated Absences Payable	72,700	14,044	86,744
Interfund Payable	0	50,593	50,593
Deferred Revenue	7,715,054	1,528,781	9,243,835
<i>Total Liabilities</i>	<u>10,189,263</u>	<u>1,958,733</u>	<u>12,147,996</u>
<b>Fund Balances</b>			
Nonspendable	39,298	17,116	56,414
Restricted	0	1,720,132	1,720,132
Assigned	2,306,609	0	2,306,609
Unassigned	5,028,428	(12,752)	5,015,676
<i>Total Fund Balances</i>	<u>7,374,335</u>	<u>1,724,496</u>	<u>9,098,831</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 17,563,598</u>	<u>\$ 3,683,229</u>	<u>\$ 21,246,827</u>

See accompanying notes to the basic financial statements.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2013*

<b>Total Governmental Fund Balances</b>		\$ 9,098,831
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,497,488
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 286,056	
Intergovernmental	<u>250,187</u>	
Total		536,243
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,214,008
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		117,050
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(34,240)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
School Improvement Bonds	(9,900,000)	
Bond Premium	(573,975)	
Refunding Loss	456,913	
Accrued Vacation Payable	(125,560)	
Compensated Absences	<u>(1,572,213)</u>	
Total		<u>(11,714,835)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 20,714,545</u></u>

See accompanying notes to the basic financial statements.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 8,403,102	\$ 1,408,304	\$ 9,811,406
Intergovernmental	11,469,825	2,571,310	14,041,135
Investment Income	26,678	481	27,159
Tuition and Fees	636,301	2,500	638,801
Extracurricular Activities	141,224	180,449	321,673
Rentals	10,089	1,982	12,071
Charges for Services	0	438,909	438,909
Contributions and Donations	0	2,071	2,071
Miscellaneous	145,832	14,767	160,599
<i>Total Revenues</i>	<u>20,833,051</u>	<u>4,620,773</u>	<u>25,453,824</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	10,701,893	298,324	11,000,217
Special	2,549,427	1,094,166	3,643,593
Vocational	290,189	0	290,189
Student Intervention Services	0	6,646	6,646
Other	0	1,495	1,495
Support Services:			
Pupils	794,538	25,504	820,042
Instructional Staff	963,823	297,905	1,261,728
Board of Education	33,718	0	33,718
Administration	1,808,782	142,225	1,951,007
Fiscal	530,932	42,965	573,897
Business	1,440	0	1,440
Operation and Maintenance of Plant	2,093,471	0	2,093,471
Pupil Transportation	1,667,803	162,282	1,830,085
Central	63,793	2,895	66,688
Extracurricular Activities	351,448	199,826	551,274
Operation of Non-Instructional Services:			
Food Service Operations	3,703	1,025,142	1,028,845
Community Services	58,953	3,777	62,730
Capital Outlay	0	185,303	185,303
Debt Service:			
Principal Retirement	0	705,000	705,000
Interest and Fiscal Charges	0	422,779	422,779
<i>Total Expenditures</i>	<u>21,913,913</u>	<u>4,616,234</u>	<u>26,530,147</u>
<i>Net Change in Fund Balance</i>	(1,080,862)	4,539	(1,076,323)
<i>Fund Balances Beginning of Year</i>	<u>8,455,197</u>	<u>1,719,957</u>	<u>10,175,154</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,374,335</u>	<u>\$ 1,724,496</u>	<u>\$ 9,098,831</u>

See accompanying notes to the basic financial statements.

**West Holmes Local School District  
Holmes County, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ (1,076,323)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 374,080	
Current Year Depreciation	<u>(799,400)</u>	(425,320)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(207,144)	
Intergovernmental	<u>153,789</u>	(53,355)
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		705,000
 In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	1,983	
Amortization of Issuance Costs	(10,889)	
Amortization of Premium on Bonds	53,393	
Amortization of Refunding Loss	<u>(42,504)</u>	1,983
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(155,064)
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	225,264	
Accrued Vacation Payable	<u>5,866</u>	<u>231,130</u>
 <i>Change in Net Position of Governmental Activities</i>		 <u><u>\$ (771,949)</u></u>

See accompanying notes to the basic financial statements.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 8,479,329	\$ 8,371,217	\$ 8,371,217	\$ 0
Intergovernmental	11,398,439	11,474,252	11,474,252	0
Investment Income	80,001	35,248	26,678	(8,570)
Tuition and Fees	533,875	636,301	636,301	0
Extracurricular Activities	54,000	58,785	58,785	0
Rentals	10,000	12,469	12,469	0
Miscellaneous	53,000	63,038	53,038	(10,000)
<i>Total Revenues</i>	<u>20,608,644</u>	<u>20,651,310</u>	<u>20,632,740</u>	<u>(18,570)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,646,714	10,731,672	10,731,672	0
Special	2,537,191	2,557,437	2,557,437	0
Vocational	321,590	324,156	324,156	0
Support Services:				
Pupils	834,183	840,840	840,840	0
Instructional Staff	986,318	994,189	994,189	0
Board of Education	37,459	37,758	37,758	0
Administration	1,774,929	1,789,092	1,789,092	0
Fiscal	531,494	535,735	535,735	0
Business	1,429	1,440	1,440	0
Operation and Maintenance of Plant	2,228,130	2,245,910	2,245,910	0
Pupil Transportation	1,712,140	1,725,802	1,725,802	0
Central	65,270	65,791	65,791	0
Extracurricular Activities	337,170	339,861	339,861	0
Operation of Non-Instructional Services:				
Food Service Operations	61,266	61,755	61,755	0
<i>Total Expenditures</i>	<u>22,075,283</u>	<u>22,251,438</u>	<u>22,251,438</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,466,639)</u>	<u>(1,600,128)</u>	<u>(1,618,698)</u>	<u>(18,570)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	12,000	12,767	12,767	0
<i>Net Change in Fund Balance</i>	<u>(1,454,639)</u>	<u>(1,587,361)</u>	<u>(1,605,931)</u>	<u>(18,570)</u>
<i>Fund Balance Beginning of Year</i>	9,668,812	9,668,812	9,668,812	0
Prior Year Encumbrances Appropriated	672,729	672,729	672,729	0
<i>Fund Balance End of Year</i>	<u>\$ 8,886,902</u>	<u>\$ 8,754,180</u>	<u>\$ 8,735,610</u>	<u>\$ (18,570)</u>

See accompanying notes to the basic financial statements.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2013*

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	Governmental Activities - Internal Service Fund
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,477,431
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	263,423
<b>Net Position</b>	
Unrestricted	\$ 1,214,008

See accompanying notes to the basic financial statements.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2013*

	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Revenue</b>	
Charges for Services	<u>\$ 3,055,050</u>
<b>Operating Expenses</b>	
Purchased Services	531,355
Claims	<u>2,678,759</u>
<i>Total Operating Expenses</i>	<u>3,210,114</u>
<i>Change in Net Position</i>	(155,064)
<i>Net Position Beginning of Year</i>	<u>1,369,072</u>
<i>Net Position End of Year</i>	<u><u>\$ 1,214,008</u></u>

See accompanying notes to the basic financial statements.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2013

	<u>Governmental Activities - Internal Service Fund</u>
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 3,055,050
Cash Paid for Goods and Services	(531,355)
Cash Paid for Claims	<u>(2,684,705)</u>
<i>Net Cash Used For Operating Activities</i>	<u>(161,010)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(161,010)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,638,441</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 1,477,431</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</b>	
Operating Loss	\$ (155,064)
Adjustments:	
Increase in Liabilities:	
Claims Payable	<u>(5,946)</u>
<i>Net Cash Used For Operating Activities</i>	<u><u>\$ (161,010)</u></u>

See accompanying notes to the basic financial statements.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2013*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 125,191</u>
<b>Liabilities</b>	
Due to Students	<u>\$ 125,191</u>

See accompanying notes to the basic financial statements.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 1 – Description of the School District and Reporting Entity**

The West Holmes Local School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District.

*Reporting Entity*

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

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

The School District is involved with the Tri-County Computer Service Association (TCCSA) and the Ashland County-West Holmes Career Center, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 13.

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

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

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

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

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

***B. Fund Accounting***

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

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

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

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

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

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

***C. Measurement Focus***

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

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

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

***D. Basis of Accounting***

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

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***E. Budgetary Data***

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

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

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

***F. Cash and Cash Equivalents***

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

During fiscal year 2013, investments were limited to money market accounts and STAR Ohio.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$26,678 with \$4,760 assigned from other funds.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

***G. Inventory***

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

***H. Deferred Charges***

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

***I. Capital Assets***

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 - 10 Years
Infrastructure	10 - 50 Years

***J. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances are eliminated in the governmental activities column of the statement of net position.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***K. Compensated Absences***

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

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

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

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

***L. Accrued Liabilities and Long-term Obligations***

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

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

***M. Interfund Activity***

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

***N. Net Position***

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include instructional activities and grants.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

***O. Fund Balance***

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

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

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

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

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

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***P. Operating Revenues and Expenses***

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

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

***R. Estimates***

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

***S. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “*Accounting and Financial Reporting for Service Concession Arrangements*,” GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*,” GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*,” and GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

**Note 3 – Accountability**

Fund balances at June 30, 2013 consist of a fund deficit for the IDEA Part B fund in the amount of \$12,752. The deficit in the non-major fund resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and will provide transfers when cash is required, not when accruals occur.

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets (budget).

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

**Net Change in Fund Balance**

GAAP Basis	\$ (1,080,862)
Net Adjustment for Revenue Accruals	(61,546)
Net Adjustment for Expenditure Accruals	(138,686)
Funds Budgeted Elsewhere**	4,484
Adjustment for Encumbrances	<u>(329,321)</u>
Budget Basis	<u>\$ (1,605,931)</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

**Note 5 - Deposits and Investments**

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

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

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

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

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

- 1) United States Treasury Notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding thirty days;
- 4) Bonds and other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6) The State Treasurer's investment pool (Star Ohio and STAR Plus);
- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of West Holmes Local School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositors must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2013, the School District and public depositories complied with the provisions of these statutes.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Deposits with Financial Institutions**

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

At fiscal year-end, the carrying amount of the School District's deposits was \$12,441,226. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2013, \$11,547,983 of the School District's bank balance of \$12,595,080 was exposed to custodial risk as discussed above, while \$1,047,097 was covered by Federal Deposit Insurance Corporation.

**Investments**

As of June 30, 2013, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
STAROhio	\$ 5,635	\$ 5,635

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2013, is 58 days and carries a rating of AAAM by Standard and Poor's.

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

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAR Ohio	\$ 5,635	100%

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Holmes, Wayne, Coshocton and Ashland Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2013 was \$599,067 in the general fund, \$70,121 in the bond retirement debt service fund, and \$28,766 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$567,182 in the general fund, \$66,937 in the bond retirement debt service fund, and \$26,852 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 321,016,910	94%	\$ 323,139,060	93%
Public Utility Personal Property	21,309,220	6%	25,446,490	7%
Total	\$ 342,326,130	100%	\$ 348,585,550	100%
Full Tax Rate per \$1,000 of assessed valuation	\$ 35.75		\$ 35.48	

**Note 7 - Receivables**

Receivables at June 30, 2013, consisted of taxes, accounts (fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All are expected to be received within one year

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**Note 8 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Reductions	Balance 06/30/2013
<b>Governmental Activities</b>				
<i>Capital Assets, not Being Depreciated</i>				
Land	\$ 643,088	\$ 0	\$ 0	\$ 643,088
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	32,387,633	115,769	0	32,503,402
Furniture and Equipment	1,403,193	91,029	0	1,494,222
Vehicles	2,491,312	167,282	(119,332)	2,539,262
Infrastructure	271,872	0	0	271,872
<b>Total Capital Assets, Being Depreciated</b>	<b>36,554,010</b>	<b>374,080</b>	<b>(119,332)</b>	<b>36,808,758</b>
Less: Accumulated Depreciation				
Buildings and Improvements	(12,375,980)	(652,671)	0	(13,028,651)
Furniture and Equipment	(1,180,792)	(54,036)	0	(1,234,828)
Vehicles	(1,680,219)	(90,586)	119,332	(1,651,473)
Infrastructure	(37,299)	(2,107)	0	(39,406)
<b>Total Accumulated Depreciation</b>	<b>(15,274,290)</b>	<b>(799,400) *</b>	<b>119,332</b>	<b>(15,954,358)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>21,279,720</b>	<b>(425,320)</b>	<b>0</b>	<b>20,854,400</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 21,922,808</b>	<b>\$ (425,320)</b>	<b>\$ 0</b>	<b>\$ 21,497,488</b>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 458,861
Special	1,958
Vocational	19,580
Support Services:	
Pupil	3,241
Instructional Staff	1,000
Administration	17,622
Fiscal	3,916
Business	10,443
Operation and Maintenance of Plant	31,690
Pupil Transportation	100,376
Operation of Non-Instructional Services	40,746
Extracurricular Activities	109,967
<b>Total Depreciation</b>	<b>\$ 799,400</b>

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**Note 9 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident. The School District's vehicle insurance policy limit is \$1,000,000 with a \$1,000 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the School District carries a \$1,000,000 blanket umbrella policy. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 in aggregate. Settlements have not exceeded insurance coverage in any of the last three years. There have not been reductions in coverage from the prior year.

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

***B. Employee Medical Benefits***

The School District has established a limited risk management program for its medical insurance program. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$60,000, and aggregate claims in excess of \$3,578,778. The liability for unpaid claims cost of \$263,423 is reported in the fund at June 30, 2013 in accordance with Government Accounting Standards Board Statement No. 10.

Changes in the fund's claims liability amount in 2013 and 2012 were:

		Balance at Beginning of Year	Claims	Payments	Balance at End of Year
2012	\$	167,440	\$ 2,719,077	\$ 2,617,148	\$ 269,369
2013	\$	269,369	\$ 2,678,759	\$ 2,684,705	\$ 263,423

**Note 10 - Pension Plans**

***A. School Employees Retirement System***

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

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$470,230, \$513,556 and \$465,899, respectively; 53 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,529,616, \$1,523,986 and \$1,501,712, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$80,576 made by the School District and \$57,554 made by the plan members.

***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, 2013, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Note 11 - Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 (the latest information available) was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$60,593, \$20,175, and \$47,588, respectively; 53 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$24,855, \$27,512, and \$25,292, respectively; 53 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

***B. State Teachers Retirement System***

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$109,258, \$108,856, and \$107,265, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**Note 12 - Long-Term Obligations**

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

	Outstanding 6/30/2012	Additions	Reductions	Outstanding 6/30/2013	Amounts Due in One Year
<b>Governmental Activities:</b>					
<i>2005 School Improvement</i>					
<i>Refunding Bonds \$13,114,986</i>					
<i>Current Interest Bonds -</i>					
\$13,010,000 @ 3% -5.5%	\$ 10,605,000	\$ 0	\$ (705,000)	\$ 9,900,000	\$ 730,000
Premium	627,368	0	(53,393)	573,975	0
Refunding Loss	(499,417)	0	42,504	(456,913)	0
Compensated Absences	1,797,477	66,346	(291,610)	1,572,213	35,000
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 12,530,428</u>	<u>\$ 66,346</u>	<u>\$ (1,007,499)</u>	<u>\$ 11,589,275</u>	<u>\$ 765,000</u>

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

These refunding bonds were issued with a premium of \$1,104,468 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method; the amortization of the premium for fiscal year 2013 was \$53,393. The issuance costs of \$138,830 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method, the amortization of the issuance costs for fiscal year 2013 was \$10,889. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$807,570. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method, the amortization of this difference for fiscal year 2013 was \$42,504. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$948,518. The issuance resulted in an economic gain of \$678,264. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental column of the statement of net position. The principal balance outstanding on the defeased bonds was \$9,055,000 at June 30, 2013.

The 2005 bond issue consists of current interest, current interest term, and capital appreciation bonds. The capital appreciation bonds are not subject to early redemption. The current interest bonds maturing on and after December 1, 2015, are subject to optional prior redemption by the School District prior to maturity, beginning December 1, 2014. The current interest term bonds are subject to mandatory sinking fund redemption requirements. The capital appreciation bonds matured on December 1, 2010.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

2005 School Improvement Refunding Bonds

General Obligation Bonds		
Fiscal Year	Principal	Interest
2014	\$ 730,000	\$ 398,107
2015	755,000	371,554
2016	785,000	342,075
2017	820,000	309,975
2018	855,000	276,476
2019-2023	4,855,000	762,737
2024	1,100,000	23,375
	\$ 9,900,000	\$ 2,484,299

**Note 13 - Jointly Governed Organizations**

***A. Tri-County Computer Service Association (TCCSA)***

TCCSA is a jointly governed organization comprised of 23 school districts, created as a regional council of governments pursuant to State statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support TCCSA based on a per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Tri-County Educational Service Center, located in Wooster, Ohio which serves as fiscal agent.

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

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

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 14 – Contingencies and Significant Commitments**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**B. Litigation**

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

**C. Encumbrance Commitments**

Outstanding encumbrances for governmental funds include \$329,904 in the general fund and \$394,678 in the non-major governmental funds.

**Note 15 - Set-Asides**

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

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2012	\$ 0
Current Year Set-aside Requirement	418,387
Current Year Offsets	(483,359)
Totals	\$ (64,972)
Balance Carried Forward to Fiscal Year 2014	\$ 0
Set-aside Restricted Balance as of June 30, 2013	\$ 0

Although the School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvement set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**Note 16 - Fund Balance**

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

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

	General	Other Governmental Funds	Total
Nonspendable for:			
Inventory	\$ 39,298	\$ 17,116	\$ 56,414
Total Nonspendable	39,298	17,116	56,414
Restricted for:			
Debt Service	0	781,347	781,347
Capital Outlay	0	570,843	570,843
Other Purposes	0	367,942	367,942
Total Restricted	0	1,720,132	1,720,132
Assigned for:			
Encumbrances:			
Instruction	134,273	0	134,273
Support Services	195,631	0	195,631
Subsequent Year Appropriations	1,976,705	0	1,976,705
Total Assigned	2,306,609	0	2,306,609
Unassigned	5,028,428	(12,752)	5,015,676
<i>Total Fund Balance (Deficit)</i>	<i>\$ 7,374,335</i>	<i>\$ 1,724,496</i>	<i>\$ 9,098,831</i>

**Note 17 – Interfund Activity**

At June 30, 2013, the School District had the following interfund balances:

	Interfund Receivable	Interfund Payable
General	\$ 50,593	\$ 0
Other Governmental Funds:		
Race to the Top	0	1,265
Title I	0	49,328
	\$ 50,593	\$ 50,593

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30, 2013. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2013 are reported on the statement of net position.

November 20, 2013

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

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards general 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Holmes Local School District, Holmes County, Ohio (the "School District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 20, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

West Holmes Local School District  
Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
Page 2

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kea & Associates, Inc.*

Medina, Ohio

November 20, 2013

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

**Independent Auditor's Report on Compliance For Each Major Federal Program  
and Report on Internal Control Over Compliance Required by OMB Circular A-133**

**Report on Compliance for Each Major Federal Program**

We have audited the West Holmes Local School District's, Holmes County, Ohio (the "School District") compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2013. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

***Report on Internal Control over Compliance***

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rea & Associates, Inc.*

Medina, Ohio

**WEST HOLMES LOCAL SCHOOL DISTRICT  
HOLMES COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>				
Title I	84.010	2012	\$ 154,110	\$ 160,303
Title I	84.010	2013	<u>755,460</u>	<u>830,238</u>
Total Title I			909,570	990,541
IDEA-B	84.027	2012	102,652	74,523
IDEA-B	84.027	2013	<u>434,613</u>	<u>448,448</u>
Total IDEA-B			537,265	522,971
ARRA-Race to the Top Incentive Grant	84.395	2012	16,649	7,907
ARRA-Race to the Top Incentive Grant	84.395	2013	117,816	97,322
ARRA-Race to the Top Incentive Grant- PAR	84.395	2012	15,000	15,000
ARRA-Race to the Top Incentive Grant- PAR	84.395	2013	<u>24,538</u>	<u>46,297</u>
Total ARRA-Race to the Top Incentive Grant			174,003	166,526
Title II-D	84.318	2012	<u>5,311</u>	<u>1,287</u>
Total Title II-D			5,311	1,287
Title II-A	84.367	2012	18,329	17,658
Title II-A	84.367	2013	<u>114,469</u>	<u>111,770</u>
Total Title II-A			132,798	129,428
Rural and Low Income (Title VI-B)	84.358	2013	<u>28,914</u>	<u>24,244</u>
Total Rural and Low Income (Title VI-B)			28,914	24,244
Total U.S. Department of Education			<u>1,787,861</u>	<u>1,834,997</u>
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>				
<i>Nutrition Cluster</i>				
Non-Cash Assistance:				
School Breakfast Program	(B)	10.553	2013	10,601
Cash Assistance:				
School Breakfast Program	(A)	10.553	2013	<u>95,662</u>
Total School Breakfast Program				106,263
Non-Cash Assistance:				
National School Lunch Program	(B)	10.555	2013	57,420
Cash Assistance:				
National School Lunch Program	(A)	10.555	2013	<u>468,002</u>
Total National School Lunch Program				525,422
<i>Total Nutrition Cluster</i>			<u>631,685</u>	<u>631,685</u>
Cafeteria Equipment Grant		10.560	2013	<u>8,500</u>
Total Cafeteria Equipment Grant				8,500
Total U.S. Department of Agriculture			640,185	635,462
Total Federal Assistance			<u>\$ 2,428,046</u>	<u>\$ 2,470,459</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

**West Holmes Local School District**  
**Holmes County, Ohio**  
*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis*  
*For the Fiscal Year Ended June 30, 2013*

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**Note A - Child Nutrition Cluster**

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**Note B – Food Donation Program**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

**Note C - Transfers**

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2013, the ODE authorized the following transfers:

<u>CFDA</u>		<u>Program</u>		
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I Grants to Local Educational Agencies	2012	\$ 25,453	
84.010	Title I Grants to Local Educational Agencies	2013		\$25,453
84.027	Special Education IDEA, Part B	2012	43,637	
84.027	Special Education IDEA, Part B	2013		43,637
84.367	Title II-A - Improving Teacher Quality	2012	5,134	
84.367	Title II-A - Improving Teacher Quality	2013		5,134

**WEST HOLMES LOCAL SCHOOL DISTRICT  
HOLMES COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , Section .505  
JUNE 30, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any significant deficiencies or material weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title I Grants to Local Educational Agencies Race to the Top Incentive Grant	CFDA # 84.010 CFDA # 84.395
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None were noted

November 20, 2013

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

### **Independent Accountant's Report on Applying Agreed-Upon Procedure**

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether West Holmes Local School District, Holmes County, Ohio has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on September 19, 2011, to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*

Medina, Ohio



# Dave Yost • Auditor of State

**WEST HOLMES LOCAL SCHOOL DISTRICT**

**HOLMES COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 24, 2013**