

HOLGATE LOCAL SCHOOL DISTRICT

General Purpose Financial Statements

Years Ended June 30, 2001 and 2000

With

Independent Auditors' Report



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398
www.auditor.state.oh.us

Board of Education
Holgate Local School District
103 Frazier Street
Holgate, Ohio 43527

We have reviewed the Independent Auditor's Report of the Holgate Local School District, Henry County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 1999 through June 30, 2001. 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 Holgate Local School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 15, 2002

This Page is Intentionally Left Blank.

HOLGATE LOCAL SCHOOL DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditors' Report	
General Purpose Financial Statements – June 30, 2001:	
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types	4 - 5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type	6
Combined Statement of Cash Flows - Proprietary Fund Type	7
Notes to the General Purpose Financial Statements	8 - 25
General Purpose Financial Statements – June 30, 2000:	
Combined Balance Sheet - All Fund Types and Account Groups	26
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	27
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types	28 - 29
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type	30
Combined Statement of Cash Flows - Proprietary Fund Type	31
Notes to the General Purpose Financial Statements	32 - 48
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49

This Page is Intentionally Left Blank.

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Holgate Local School District:

We have audited the accompanying general purpose financial statements of Holgate Local School District, as of and for the years ended June 30, 2001 and 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Holgate Local School District, as of June 30, 2001 and 2000, and the results of its operations and cash flows of its proprietary fund types for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the general purpose financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* as of July 1, 2000. This results in a change to the School District's method of accounting for certain nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 13, 2001

HOLGATE LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects			Enterprise	General Fixed Assets		General Long-Term Obligations
ASSETS AND OTHER DEBITS									
Assets:									
Equity in Pooled Cash and Cash Equivalents	\$ 1,666,963	218,645	481,334	24,149	15,906	-	-	2,406,997	
Receivables:									
Taxes	894,487	-	60,814	-	-	-	-	955,301	
Accounts	991	5,000	-	-	-	-	-	5,991	
Accrued Interest	42,906	-	3,825	-	-	-	-	46,731	
Interfund Receivable	7,500	-	-	-	-	-	-	7,500	
Income Tax	130,749	-	-	-	-	-	-	130,749	
Materials and Supplies Inventory	3,536	-	-	5,143	-	-	-	8,679	
Prepaid Items	7,428	-	-	-	-	-	-	7,428	
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	104,998	-	-	-	-	-	-	104,998	
Fixed Assets	-	-	-	74,363	-	6,210,138	-	6,284,501	
Accumulated Depreciation	-	-	-	(67,405)	-	-	-	(67,405)	
Other Debits:									
Provided from General Government Resources	-	-	-	-	-	385,123	-	385,123	
Total Assets and Other Debits	<u>2,859,558</u>	<u>223,645</u>	<u>545,973</u>	<u>36,250</u>	<u>15,906</u>	<u>6,210,138</u>	<u>385,123</u>	<u>10,276,593</u>	
LIABILITIES, FUND EQUITY AND OTHER CREDITS									
Liabilities:									
Accounts Payable	27,587	598	-	-	-	-	-	28,185	
Accrued Wages and Benefits	352,817	13,139	-	11,501	-	-	-	377,457	
Compensated Absences Payable	5,599	-	-	3,800	-	-	354,935	364,334	
Interfund Payable	-	-	-	7,500	-	-	-	7,500	
Intergovernmental Payable	53,948	-	-	8,924	-	-	30,188	93,060	
Deferred Revenue	802,517	-	54,560	4,588	-	-	-	861,665	
Undistributed Monies Due to Students	-	-	-	-	570	-	-	570	
Total Liabilities	<u>1,242,488</u>	<u>13,737</u>	<u>54,560</u>	<u>36,313</u>	<u>15,336</u>	<u>-</u>	<u>385,123</u>	<u>1,748,107</u>	
Fund Equity and Other Credits:									
Investment in General Fixed Assets	-	-	-	-	-	6,210,138	-	6,210,138	
Retained Earnings (Deficit):									
Unreserved	-	-	-	(63)	-	-	-	(63)	
Fund Balances:									
Reserved:									
Reserved for Encumbrances	11,211	1,152	-	-	-	-	-	12,363	
Reserved for Inventory	3,536	-	-	-	-	-	-	3,536	
Reserved for Prepaid Items	7,428	-	-	-	-	-	-	7,428	
Reserved for Property Taxes	91,970	-	6,254	-	-	-	-	98,224	
Reserved for Textbooks & Instructional Materials	103,798	-	-	-	-	-	-	103,798	
Reserved for Capital Improvements	1,200	-	-	-	-	-	-	1,200	
Unreserved, Undesignated	<u>1,357,947</u>	<u>208,758</u>	<u>485,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,091,862</u>	
Total Fund Equity and Other Credits	<u>1,617,090</u>	<u>209,908</u>	<u>491,413</u>	<u>(63)</u>	<u>-</u>	<u>6,210,138</u>	<u>-</u>	<u>8,528,486</u>	
Total Liabilities, Fund Equity and Other Credits	<u>2,859,558</u>	<u>223,645</u>	<u>545,973</u>	<u>36,250</u>	<u>15,906</u>	<u>6,210,138</u>	<u>385,123</u>	<u>10,276,593</u>	

The notes to the financial statements are an integral part of this statement.

HOLGATE LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
Intergovernmental	\$ 2,157,747	128,991	65,382	2,352,120
Interest	167,219	-	3,825	171,044
Tuition and Fees	16,382	-	-	16,382
Rent	65	-	-	65
Extracurricular Activities	-	126,567	-	126,567
Gifts and Donations	566	-	-	566
Income Tax	408,176	-	-	408,176
Property & Other Local Taxes	779,337	-	52,995	832,332
Miscellaneous	18,102	330	-	18,432
Total Revenues	<u>3,547,594</u>	<u>255,888</u>	<u>122,202</u>	<u>3,925,684</u>
Expenditures:				
Instruction:				
Regular	1,718,654	6,097	29,001	1,753,752
Special	801	85,675	212	86,688
Vocational	148,084	-	-	148,084
Adult/Continuing	183	-	-	183
Other	235,899	-	-	235,899
Support services:				
Pupils	100,528	1,216	-	101,744
Instructional Staff	144,222	24,384	-	168,606
Board of Education	12,185	-	-	12,185
Administration	363,740	3,964	-	367,704
Fiscal	148,447	225	1,308	149,980
Operation and Maintenance of Plant	292,052	-	-	292,052
Pupil Transportation	136,869	-	26,500	163,369
Central	31,874	810	-	32,684
Extracurricular activities	95,174	51,830	-	147,004
Total Expenditures	<u>3,428,712</u>	<u>174,201</u>	<u>57,021</u>	<u>3,659,934</u>
Excess of Revenues Over Expenditures	<u>118,882</u>	<u>81,687</u>	<u>65,181</u>	<u>265,750</u>
Other Financing Sources and Uses:				
Operating Transfers In	-	20,000	-	20,000
Operating Transfers Out	(35,000)	-	-	(35,000)
Total Other Financing Sources (Uses)	<u>(35,000)</u>	<u>20,000</u>	<u>-</u>	<u>(15,000)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>83,882</u>	<u>101,687</u>	<u>65,181</u>	<u>250,750</u>
Fund Balance at Beginning of Year	1,533,208	108,221	426,232	2,067,661
Fund Balance at End of Year	<u>\$ 1,617,090</u>	<u>209,908</u>	<u>491,413</u>	<u>2,318,411</u>

The notes to the financial statements are an integral part of this statement.

HOLGATE LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	<u>General</u>		Variance: Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 2,172,900	2,159,055	(13,845)
Interest	165,000	150,365	(14,635)
Tuition and Fees	15,000	16,308	1,308
Rent	150	65	(85)
Extracurricular Activities	-	-	-
Gifts and Donations	-	566	566
Income Tax	400,000	403,738	3,738
Property & Other Local Taxes	775,310	779,509	4,199
Miscellaneous	1,500	1,395	(105)
Total Revenues	<u>3,529,860</u>	<u>3,511,001</u>	<u>(18,859)</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,969,694	1,656,353	313,341
Special	2,710	900	1,810
Vocational	171,936	141,932	30,004
Adult/Continuing	375	184	191
Other	315,000	251,585	63,415
Support services:			
Pupils	107,961	97,409	10,552
Instructional Staff	186,720	136,157	50,563
Board of Education	23,400	12,385	11,015
Administration	391,858	353,661	38,197
Fiscal	179,531	147,052	32,479
Operation and Maintenance of Plant	376,521	309,754	66,767
Pupil Transportation	165,399	131,483	33,916
Central	51,750	32,108	19,642
Non-Instructional Services			
Extracurricular activities	102,200	93,690	8,510
Capital Outlay	21,900	-	21,900
Total Expenditures	<u>4,066,955</u>	<u>3,364,653</u>	<u>702,302</u>
Excess of Revenues Over (Under) Expenditures	<u>(537,095)</u>	<u>146,348</u>	<u>683,443</u>
Other Financing Sources and Uses:			
Operating Transfers In	34,949	-	(34,949)
Refund of Prior Year Expenditures	16,550	16,773	223
Advances In	5,000	4,267	(733)
Operating Transfers Out	(110,000)	(35,000)	75,000
Refund of Prior Year Receipts	(250)	-	250
Advances Out	(25,000)	(4,267)	20,733
Total Other Financing Sources (Uses)	<u>(78,751)</u>	<u>(18,227)</u>	<u>60,524</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(615,846)</u>	<u>128,121</u>	<u>743,967</u>
Fund Balances at Beginning of Year	1,611,630	1,611,630	
Prior Year Encumbrances Appropriated	20,270	20,270	
Fund Balance at End of Year	<u>\$ 1,016,054</u>	<u>1,760,021</u>	

The notes to the financial statements are an integral part of this statement.

Special Revenue			Capital Projects			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
129,930	128,991	(939)	65,322	65,383	61	2,368,152	2,353,429	(14,723)
-	-	-	-	-	-	165,000	150,365	(14,635)
-	-	-	-	-	-	15,000	16,308	1,308
-	-	-	-	-	-	150	65	(85)
122,525	121,595	(930)	-	-	-	122,525	121,595	(930)
-	-	-	-	-	-	-	566	566
-	-	-	-	-	-	400,000	403,738	3,738
-	-	-	52,500	52,638	138	827,810	832,147	4,337
-	-	-	-	-	-	1,500	1,395	(105)
<u>252,455</u>	<u>250,586</u>	<u>(1,869)</u>	<u>117,822</u>	<u>118,021</u>	<u>199</u>	<u>3,900,137</u>	<u>3,879,608</u>	<u>(20,529)</u>
73,625	6,163	67,462	29,001	29,001	-	2,072,320	1,691,517	380,803
80,305	78,801	1,504	5,000	212	4,788	88,015	79,913	8,102
-	-	-	-	-	-	171,936	141,932	30,004
-	-	-	-	-	-	375	184	191
-	-	-	-	-	-	315,000	251,585	63,415
2,390	1,216	1,174	-	-	-	110,351	98,625	11,726
28,323	24,384	3,939	-	-	-	215,043	160,541	54,502
-	-	-	-	-	-	23,400	12,385	11,015
6,300	3,964	2,336	-	-	-	398,158	357,625	40,533
321	225	96	2,000	1,308	692	181,852	148,585	33,267
-	-	-	60,000	-	60,000	436,521	309,754	126,767
-	-	-	26,500	26,500	-	191,899	157,983	33,916
25,000	810	24,190	-	-	-	76,750	32,918	43,832
3,000	-	3,000	-	-	-	3,000	-	3,000
70,835	52,651	18,184	-	-	-	173,035	146,341	26,694
-	-	-	45,000	-	45,000	66,900	-	66,900
<u>290,099</u>	<u>168,214</u>	<u>121,885</u>	<u>167,501</u>	<u>57,021</u>	<u>110,480</u>	<u>4,524,555</u>	<u>3,589,888</u>	<u>934,667</u>
<u>(37,644)</u>	<u>82,372</u>	<u>120,016</u>	<u>(49,679)</u>	<u>61,000</u>	<u>110,679</u>	<u>(624,418)</u>	<u>289,720</u>	<u>914,138</u>
20,422	20,000	(422)	-	-	-	55,371	20,000	(35,371)
581	562	(19)	-	-	-	17,131	17,335	204
4,267	4,267	-	-	-	-	9,267	8,534	(733)
-	-	-	-	-	-	(110,000)	(35,000)	75,000
-	-	-	-	-	-	(250)	-	250
<u>(4,267)</u>	<u>(4,267)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,267)</u>	<u>(8,534)</u>	<u>20,733</u>
<u>21,003</u>	<u>20,562</u>	<u>(441)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,748)</u>	<u>2,335</u>	<u>60,083</u>
(16,641)	102,934	119,575	(49,679)	61,000	110,679	(682,166)	292,055	974,221
113,698	113,698	-	420,335	420,335	-	2,145,663	2,145,663	-
861	861	-	-	-	-	21,131	21,131	-
<u>97,918</u>	<u>217,493</u>	<u>-</u>	<u>370,656</u>	<u>481,335</u>	<u>-</u>	<u>1,484,628</u>	<u>2,458,849</u>	<u>-</u>

HOLGATE LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$ 137,222
Total Operating Revenues	137,222
Operating Expenses:	
Salaries	57,777
Fringe Benefits	29,988
Purchased Services	8,005
Materials and Supplies	95,943
Depreciation	637
Other	35
Total Operating Expenses	192,385
Operating Loss	(55,163)
Non-Operating Revenues and Expenses:	
Federal Donated Commodities	17,223
Interest	78
Federal and State Subsidies	24,473
Total Non-Operating Revenues and Expenses	41,774
Loss Before Operating Transfers	(13,389)
Operating Transfers-In	15,000
Net Income	1,611
Retained Earnings (Deficit) at Beginning of Year	(1,674)
Retained Earnings (Deficit) at End of Year	\$ (63)

The notes to the financial statements are an integral part of this statement.

HOLGATE LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Sales	\$ 137,258
Cash Payments to Suppliers for Goods and Service	(71,327)
Cash Payments for Contract Services	(8,005)
Cash Payments for Employee Services	(58,973)
Cash Payments for Employee Benefits	(27,107)
Other Cash Payments	(35)
Net Cash Used by Operating Activities	(28,189)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	26,813
Transfers In	15,000
Net Cash Provided by Noncapital Financing Activities	41,813
Cash Flows from Investing Activities:	
Interest Received	78
Net Increase in Cash and Cash Equivalents	13,702
Cash and Cash Equivalents at Beginning of Year	10,447
Cash and Cash Equivalents at End of Year	24,149
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	(55,163)
Adjustments to Reconcile Operating Loss To Net Cash Used by Operating Activities:	
Depreciation	637
Donated Commodities Used During the Year	17,223
(Increase) Decrease in Assets:	
Accounts Receivable	36
Material and Supplies Inventory	4,701
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	(2,079)
Intergovernmental Payable	1,544
Deferred Revenue	2,692
Accrued Wages and Benefits	2,220
Total Adjustments	26,974
Net Cash Used by Operating Activities	\$ (28,189)

The notes to the financial statements are an integral part of this statement.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Holgate Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Holgate Local School District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's four instructional/support facilities.

The Reporting Entity

The District has implemented the Government Accounting Standards Board (GASB) pronouncements concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds, account groups, agencies, boards, commissions, and component units over which the District officials exercise oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District's full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility, which required incorporation into the financial statements.

The School District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Holgate Community Library, the Northern Buckeye Education Council's Employee Insurance Benefit Program, and the Northern Buckeye Education Council (NBEC) Workers' Compensation Group Rating Plan. These organizations are presented in Notes 12, 13, and 14 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Agency Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year-end.
 - a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.
 - b. Property taxes measurable but not available as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

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

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds - The funds through which most Board of Education functions are typically financed.

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - The fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

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

Proprietary Funds - The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows. The following is the District's proprietary fund type:

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

Fiduciary Funds - The funds used to account for assets not owned by the Board, but held for a separate entity.

Agency Funds - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis. The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001
 (Continued)

6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2001 follows:

Excess (Deficiency) of Revenues and Other Financing
 Sources Over (Under) Expenditures and Other Uses
 For the Year Ended June 30, 2001

	General	Special Revenue	Capital Projects
Budget basis	\$128,121	\$102,934	\$61,000
Adjustments:			
Revenue accruals	36,593	5,301	4,181
Expenditure accruals	(75,999)	(7,138)	0
Other Financing Sources (Uses)	(16,774)	(562)	0
Reserve for encumbrances	11,941	1,152	0
GAAP Basis	\$83,882	\$101,687	\$65,181

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Investments

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

During fiscal year 2001, investments were limited to a repurchase agreement account, STAR Ohio, a secure asset account and a certificate account. The repurchase agreement account, secure asset account and certificate account are reported at cost.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. 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, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general and food service funds during fiscal year 2001 amounted to \$167,219 and \$78, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. No depreciation is recognized for assets in General Fixed Assets Account Group. The District does not have any infrastructure.

2. Proprietary Funds

Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight-line basis over an estimated useful life of five to twenty years.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Professional Development Grant
Education Management Information Systems (EMIS)
Onenet Ohio
Schoolnet Professional Development Subsidy
Textbook/Instructional Materials Subsidy
Ohio Reads Grant
Summer School Subsidy
Safe Schools Grant
Eisenhower Math/Science Grant
Title VI-B Grant
Title I Grant
Title VI Grant
Drug Free School Grant
Preschool Disabilities Grant
Class-Size Reduction
School to Work Grant

Capital Projects

SchoolNet
SchoolNet Plus
Technology Equity
IVDL
Emergency Repair Grant

Reimbursable Grants

Enterprise Fund

National School Lunch Program
Food Distribution Program

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans receivable and interfund loans payable.

J. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and for the acquisition or construction of capital assets. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

K. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaid items, property taxes, textbook purchases, and capital acquisitions.

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

L. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

M. Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand and deposits at banks along with highly liquid investments that have a maturity date of 90 days or less.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)

N. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the School District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future.

Sick leave benefits are accrued as a liability using the vested method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

O. Pass-through Grants

The Eisenhower, Title VI-B and the Handicapped Preschool special revenue funds are pass through grants in which the Northwest Ohio Education Service Center is the primary recipient. In accordance with GASB Statement No. 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance" the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

P. Change in Accounting Principle

For fiscal year 2001, the School District implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. There was no effect on fund balance as of June 30, 2000 as a result of implementing GASB 33.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

Interim deposits are deposits of interim monies. Interim monies 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.

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

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

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

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

Cash on Hand At year-end, the District had \$100 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001
 (Continued)

Deposits At year-end, the carrying amount of the School District's deposits was \$2,074,915 and the bank balance was \$2,126,755. Of the bank balance, \$522,000 was covered by federal depository insurance and \$1,604,755 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal regulations could potentially subject the District to a successful claim by the FDIC.

Investments The District's investments are categorized below to give an indication of the level of risk assumed by the entity at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes, uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasury, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The \$436,980 carrying value in the State Treasurer's Investment Pool (Star Ohio) approximated the fair value at June 30, 2001.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$2,511,995	
Cash on Hand	(100)	
STAR Ohio	(436,980)	\$436,980
GASB Statement 3	\$2,074,915	\$436,980

4. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	April 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and August.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2001. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2001.

The assessed values of properties upon which property tax revenues were based are as follows:

	<u>Amount</u>
Residential/Agricultural	\$1,165,170
Commercial/Industrial	29,815,700
Public Utility	3,716,200
General Personal Property	920,715
Total valuation	<u>\$35,617,785</u>

5. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

<u>Asset Category</u>	<u>Balance at 07/01/00</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$255,523	0	\$6,730	\$248,793
Buildings	3,683,834	\$1,650	0	3,685,484
Furniture, fixtures, and equipment	1,416,447	121,460	17,419	1,520,488
Vehicles	394,002	53,841	29,883	417,960
Text & Library Books	337,413	0	0	337,413
Totals	<u>\$6,087,219</u>	<u>\$176,951</u>	<u>\$54,032</u>	<u>\$6,210,138</u>

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

A summary of the Enterprise Fund fixed assets follows:

Asset Category	Balance at 6/30/01
Furniture, fixtures, and Equipment	\$74,363
Less: Accumulated Depreciation	(67,405)
Totals	\$6,958

6. LONG-TERM OBLIGATIONS

The following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at July 1, 2000	Additions	Deductions	Balance at June 30, 2001
Intergovernmental Payable	\$27,854	\$30,188	\$27,854	\$30,188
Compensated Absences	326,354	28,581	0	354,935
Total	\$354,208	\$58,769	\$27,854	\$385,123

7. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn 10 vacation days per year, however the accumulated leave cannot be used until after one year of service. Non-certified employees are permitted to carry over vacation leave.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 45 days.

At June 30, 2001 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$5,599 and \$354,935 respectively. The liability for compensated absences in the proprietary funds at June 30, 2001 was \$3,800.

8. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability 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. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$74,416, \$66,704, and \$64,674, respectively; 48 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$38,520 representing unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account.

B. State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. STRS provides basis retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001, were 9.3 percent of covered payroll for members and 14 percent for employers. 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 employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$273,077, \$258,883, and \$249,830, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$42,808 representing unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account.

9. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. For the School District, this amount was approximately \$156,000 during fiscal year 2001. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000. For the School District, this amount to fund health care benefits, including the surcharge, was approximately \$45,000 during the 2001 fiscal year.

10. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully coinsured. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council (NBEC) for the benefits offered to its employees, which includes health, dental, and life insurance. NBEC is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 13). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

11. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply. Segment information was as follows:

	Lunchroom/ Cafeteria	Uniform School Supply	Total Enterprise Funds
Operating revenues	\$126,162	\$11,060	\$137,222
Depreciation	637	0	637
Operating Income (Loss)	(54,434)	(729)	(55,163)
Donated commodities	17,223	0	17,223
Grants	24,473	0	24,473
Interest	78	0	78
Operating Transfers In	15,000	0	15,000
Net Income (Loss)	2,340	(729)	1,611
Net working capital	(9,614)	2,593	(7,021)
Total assets	26,157	10,093	36,250
Total liabilities	28,813	7,500	36,313
Total equity	(2,656)	2,593	(63)

12. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$26,130. Financial information can be obtained from Cindy Siler, Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during fiscal years ending June 30, 2001 were \$2,750. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS JUNE 30, 2001 (Continued)

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Michele Zeedyk, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

13. GROUP PURCHASING POOLS

A. Northern Buckeye Education Council's Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during fiscal year ending June 30, 2001 were \$270,181. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover costs of administering the program. During fiscal year ending June 30, 2001, the District paid an enrollment fee of \$444 to WCGRP to cover costs of administering the program.

14. RELATED ORGANIZATION

Holgate Community Library - The Holgate Community Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Holgate Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from Leanna Waisner, Clerk/Treasurer, 204 Railway Avenue, Holgate, Ohio 43527.

15. SCHOOL DISTRICT INCOME TAX

In 1991, the voters of the Holgate Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2001, the District recorded income tax revenue of \$408,176 in the General Fund, of which \$130,749 is recorded as a receivable at June 30, 2001.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

16. SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 13, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

17. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the 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 School District may set aside money for budget stabilization. The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000	\$67,223	\$3,158	\$37,758	
Current Year Set-aside Requirement	78,934	78,934	0	
Current Year Offsets	0	(52,624)	(37,758)	
Qualifying Disbursements	<u>(42,359)</u>	<u>(28,268)</u>	<u>0</u>	
Total	<u>\$103,798</u>	<u>\$1,200</u>	<u>0</u>	
Cash Balance Carried Forward to FY 2002	<u>\$103,798</u>	<u>\$1,200</u>	<u>0</u>	
Amount restricted for Textbooks				\$103,798
Amount restricted for Capital Improvements				1,200
Total Restricted Assets				<u>\$104,998</u>

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

(Continued)

Senate Bill 345 eliminated the Budget Stabilization Reserve. As of June 30, 2000, the District had \$37,758 in the Budget Stabilization Reserve. During 2001, the District used the reserve in accordance with the guidelines established by Senate Bill 345.

18. SUBSEQUENT EVENT

Subsequent to year-end, the District issued general obligation bond anticipation notes in the amount of \$3,069,000 maturing in July 2002. At maturity, the District plans on issuing general obligation bonds in the same amount to pay its portion of construction costs on a new building. The District entered into an agreement with the Ohio School Facilities Commission for the construction of a new building. The State share of the project is \$12,658,242. The District's share of the building cost is approximately 18% of the total projected cost.

HOLGATE LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

ASSETS AND OTHER DEBITS

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations			
Assets:										
Equity in Pooled Cash and Cash Equivalents	\$ 1,523,760	114,559	420,335	10,447	16,119	-	-	-	-	2,085,220
Receivables:										
Taxes	885,446	-	58,875	-	-	-	-	-	-	944,321
Accounts	984	261	-	36	112	-	-	-	-	1,393
Intergovernmental	1,308	-	-	2,340	-	-	-	-	-	3,648
Accrued Interest	26,052	-	-	-	-	-	-	-	-	26,052
Interfund Receivable	7,500	-	-	-	-	-	-	-	-	7,500
Income Tax	126,311	-	-	-	-	-	-	-	-	126,311
Materials and Supplies Inventory	19,759	-	-	9,844	-	-	-	-	-	29,603
Restricted Assets:										
Equity in Pooled Cash and Cash Equivalents	108,139	-	-	-	-	-	-	-	-	108,139
Fixed Assets	-	-	-	74,363	-	6,087,219	-	-	-	6,161,582
Accumulated Depreciation	-	-	-	(66,768)	-	-	-	-	-	(66,768)
Other Debits:										
Provided from General Government Resources	-	-	-	-	-	-	-	354,208	-	354,208
Total Assets and Other Debits	2,699,259	114,820	479,210	30,282	16,231	6,087,219	354,208	6,087,219	354,208	9,781,209

LIABILITIES, FUND EQUITY AND OTHER CREDITS

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations			
Liabilities:										
Accounts Payable	47,697	334	-	-	-	-	-	-	-	51,242
Accrued Wages and Benefits	279,883	6,233	-	9,281	-	-	-	-	-	295,397
Compensated Absences Payable	5,571	-	-	5,879	-	-	-	326,354	-	337,804
Interfund Payable	-	-	-	7,500	-	-	-	-	-	7,500
Intergovernmental Payable	39,596	32	-	7,380	-	-	-	27,854	-	74,862
Deferred Revenue	793,304	-	52,978	1,896	-	-	-	-	-	848,178
Due to Students	-	-	-	-	-	-	-	-	-	13,020
Total Liabilities	1,166,051	6,599	52,978	31,936	13,020	6,087,219	354,208	6,087,219	354,208	1,628,003
Fund Equity and Other Credits:										
Investment in General Fixed Assets	-	-	-	-	-	6,087,219	-	-	-	6,087,219
Retained Earnings:										
Unreserved	-	-	-	(1,674)	-	-	-	-	-	(1,674)
Fund Balances:										
Reserved:										
Reserved for Encumbrances	10,838	534	-	-	-	-	-	-	-	11,372
Reserved for Inventory	19,759	-	-	-	-	-	-	-	-	19,759
Reserved for Property Taxes	92,142	-	5,897	-	-	-	-	-	-	98,039
Reserved for Textbooks & Instructional Materials	67,223	-	-	-	-	-	-	-	-	67,223
Reserved for Capital Improvements	3,158	-	-	-	-	-	-	-	-	3,158
Reserved for Budget Stabilization	37,758	-	-	-	-	-	-	-	-	37,758
Unreserved:										
Unreserved, Undesignated	1,302,330	107,687	420,335	-	-	-	-	-	-	1,830,352
Total Fund Equity and Other Credits	1,533,208	108,221	426,232	(1,674)	-	6,087,219	-	6,087,219	-	8,153,206
Total Liabilities, Fund Equity and Other Credits	2,699,259	114,820	479,210	30,282	16,231	6,087,219	354,208	6,087,219	354,208	9,781,209

The notes to the financial statements are an integral part of this statement.

HOLGATE LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances - All Governmental Fund Types
 For the Year Ended June 30, 2000

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Revenues:				
Intergovernmental	\$ 2,174,553	140,052	81,034	2,395,639
Interest	87,731	-	-	87,731
Tuition and Fees	14,462	-	-	14,462
Extracurricular Activities	-	65,857	-	65,857
Gifts and Donations	25	-	-	25
Income Tax	403,533	-	-	403,533
Property & Other Local Taxes	685,808	-	55,880	741,688
Miscellaneous	902	-	-	902
Total Revenues	<u>3,367,014</u>	<u>205,909</u>	<u>136,914</u>	<u>3,709,837</u>
Expenditures:				
Instruction:				
Regular	1,576,498	13,623	47,318	1,637,439
Special	2,042	84,686	-	86,728
Vocational	129,943	-	-	129,943
Adult/Continuing	364	-	-	364
Other	284,506	-	-	284,506
Support services:				
Pupils	93,678	16,179	-	109,857
Instructional Staff	144,916	22,238	-	167,154
Board of Education	18,234	-	-	18,234
Administration	324,064	5,582	-	329,646
Fiscal	120,230	246	1,344	121,820
Operation and Maintenance of Plant	282,767	-	59,388	342,155
Pupil Transportation	94,806	-	-	94,806
Central	16,572	771	-	17,343
Extracurricular activities	92,496	67,216	-	159,712
Total Expenditures	<u>3,181,116</u>	<u>210,541</u>	<u>108,050</u>	<u>3,499,707</u>
Excess of Revenues Over (Under) Expenditures	<u>185,898</u>	<u>(4,632)</u>	<u>28,864</u>	<u>210,130</u>
Other Financing Sources and Uses:				
Operating Transfers In	-	25,000	-	25,000
Refund of Prior Year Expenditures	9,989	261	-	10,250
Other Financing Sources	67,192	304	-	67,496
Operating Transfers Out	(25,000)	-	-	(25,000)
Other Financing Uses	(88)	-	(67,192)	(67,280)
Total Other Financing Sources (Uses)	<u>52,093</u>	<u>25,565</u>	<u>(67,192)</u>	<u>10,466</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>237,991</u>	<u>20,933</u>	<u>(38,328)</u>	<u>220,596</u>
Fund Balance at Beginning of Year	<u>1,295,217</u>	<u>87,288</u>	<u>464,560</u>	<u>1,847,065</u>
Fund Balance at End of Year	<u>\$ 1,533,208</u>	<u>108,221</u>	<u>426,232</u>	<u>2,067,661</u>

The notes to the financial statements are an integral part of this statement.

HOLGATE LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and Changes in
 Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 2000

	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 2,186,900	2,175,517	(11,383)
Interest	125,000	102,813	(22,187)
Tuition and Fees	15,250	14,848	(402)
Rent	250	40	(210)
Extracurricular Activities	-	-	-
Gifts and Donations	500	38	(462)
Income Tax	399,500	399,464	(36)
Property & Other Local Taxes	785,021	787,525	2,504
Miscellaneous	1,000	819	(181)
Total Revenues	<u>3,513,421</u>	<u>3,481,064</u>	<u>(32,357)</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,823,770	1,569,582	254,188
Special	2,515	1,919	596
Vocational	155,190	131,698	23,492
Adult/Continuing	765	363	402
Other	268,000	263,344	4,656
Support services:			
Pupils	105,350	95,760	9,590
Instructional Staff	184,125	147,191	36,934
Board of Education	21,600	18,234	3,366
Administration	372,800	339,075	33,725
Fiscal	162,330	127,062	35,268
Operation and Maintenance of Plant	400,475	290,346	110,129
Pupil Transportation	195,700	96,593	99,107
Central	61,185	17,993	43,192
Extracurricular activities	95,815	92,491	3,324
Capital Outlay	22,850	-	22,850
Total Expenditures	<u>3,872,470</u>	<u>3,191,651</u>	<u>680,819</u>
Excess of Revenues Over (Under) Expenditures	<u>(359,049)</u>	<u>289,413</u>	<u>648,462</u>
Other Financing Sources and Uses			
Operating Transfers In	108,889	97,354	(11,535)
Refund of Prior Year Expenditures	15,000	12,004	(2,996)
Advances In	65,250	71,459	6,209
Operating Transfers Out	(200,000)	(122,442)	77,558
Refund of Prior Year Receipts	(250)	-	250
Advances Out	(15,000)	(4,267)	10,733
Total Other Financing Sources (Uses)	<u>(26,111)</u>	<u>54,108</u>	<u>80,219</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(385,160)</u>	<u>343,521</u>	<u>728,681</u>
Fund Balance at Beginning of Year	1,262,566	1,262,566	
Prior Year Encumbrances Appropriated	5,543	5,543	
Fund Balance at End of Year	<u>\$ 882,949</u>	<u>1,611,630</u>	

The notes to the financial statements are an integral part of this statement.

Special Revenue			Capital Projects			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
124,377	124,468	91	81,223	81,034	(189)	2,392,500	2,381,019	(11,481)
-	-	-	-	-	-	125,000	102,813	(22,187)
-	-	-	-	-	-	15,250	14,848	(402)
-	-	-	-	-	-	250	40	(210)
65,713	66,561	848	-	-	-	65,713	66,561	848
-	-	-	-	-	-	500	38	(462)
-	-	-	-	-	-	399,500	399,464	(36)
-	-	-	54,500	55,124	624	839,521	842,649	3,128
-	-	-	-	-	-	1,000	819	(181)
<u>190,090</u>	<u>191,029</u>	<u>939</u>	<u>135,723</u>	<u>136,158</u>	<u>435</u>	<u>3,839,234</u>	<u>3,808,251</u>	<u>(30,983)</u>
78,269	22,876	55,393	47,319	47,318	1	1,949,358	1,639,776	309,582
82,964	79,136	3,828	-	-	-	85,479	81,055	4,424
-	-	-	-	-	-	155,190	131,698	23,492
-	-	-	-	-	-	765	363	402
-	-	-	-	-	-	268,000	263,344	4,656
985	595	390	-	-	-	106,335	96,355	9,980
21,478	21,478	-	-	-	-	205,603	168,669	36,934
-	-	-	-	-	-	21,600	18,234	3,366
7,086	5,582	1,504	-	-	-	379,886	344,657	35,229
246	246	-	2,500	1,344	1,156	165,076	128,652	36,424
-	-	-	226,812	150,473	76,339	627,287	440,819	186,468
100	-	100	40,000	-	40,000	235,800	96,593	139,207
27,000	771	26,229	-	-	-	88,185	18,764	69,421
75,473	68,401	7,072	-	-	-	171,288	160,892	10,396
-	-	-	65,000	-	65,000	87,850	-	87,850
<u>293,601</u>	<u>199,085</u>	<u>94,516</u>	<u>381,631</u>	<u>199,135</u>	<u>182,496</u>	<u>4,547,702</u>	<u>3,589,871</u>	<u>957,831</u>
<u>(103,511)</u>	<u>(8,056)</u>	<u>95,455</u>	<u>(245,908)</u>	<u>(62,977)</u>	<u>182,931</u>	<u>(708,468)</u>	<u>218,380</u>	<u>926,848</u>
25,400	25,304	(96)	7,670	-	(7,670)	141,959	122,658	(19,301)
813	697	(116)	-	-	-	15,813	12,701	(3,112)
4,267	4,267	-	-	-	-	69,517	75,726	6,209
-	-	-	-	-	-	(200,000)	(122,442)	77,558
-	-	-	-	-	-	(250)	-	250
<u>(4,267)</u>	<u>(4,267)</u>	<u>-</u>	<u>(67,192)</u>	<u>(67,192)</u>	<u>-</u>	<u>(86,459)</u>	<u>(75,726)</u>	<u>10,733</u>
<u>26,213</u>	<u>26,001</u>	<u>(212)</u>	<u>(59,522)</u>	<u>(67,192)</u>	<u>(7,670)</u>	<u>(59,420)</u>	<u>12,917</u>	<u>72,337</u>
(77,298)	17,945	95,243	(305,430)	(130,169)	175,261	(767,888)	231,297	999,185
94,574	94,574	-	401,128	401,128	-	1,758,268	1,758,268	-
1,179	1,179	-	149,376	149,376	-	156,098	156,098	-
<u>18,455</u>	<u>113,698</u>	<u>-</u>	<u>245,074</u>	<u>420,335</u>	<u>-</u>	<u>1,146,478</u>	<u>2,145,663</u>	<u>-</u>

HOLGATE LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenses
 and Changes in Fund Equity
 Proprietary Fund Type
 For the Year Ended June 30, 2000

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$ 125,057
Refund of Prior Year Expense	40
Total Operating Revenues	125,097
Operating Expenses:	
Salaries	60,561
Fringe Benefits	25,323
Purchased Services	6,445
Materials and Supplies	85,528
Depreciation	1,415
Other	35
Total Operating Expenses	179,307
Operating Loss	(54,210)
Non-Operating Revenues and Expenses:	
Federal Donated Commodities	17,223
Interest	133
Federal and State Subsidies	22,945
Total Non-Operating Revenues and Expenses	40,301
Net Loss	(13,909)
Retained Earnings at Beginning of Year	12,235
Retained Earnings (Deficit) at End of Year	\$ (1,674)

The notes to the financial statements are an integral part of this statement.

HOLGATE LOCAL SCHOOL DISTRICT
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Year Ended June 30, 2000

	Proprietary Fund Type
	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Sales	\$ 125,141
Other Cash Receipts	40
Cash Payments to Suppliers for Goods and Service	(73,409)
Cash Payments for Contract Services	(6,445)
Cash Payments for Employee Services	(61,529)
Cash Payments for Employee Benefits	(22,917)
Other Cash Payments	(35)
Net Cash Used by Operating Activities	(39,154)
 Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	23,993
Net Cash Provided by Noncapital Financing Activities	23,993
 Cash Flows from Investing Activities:	
Interest Received	133
 Net Decrease in Cash and Cash Equivalents	(15,028)
Cash and Cash Equivalents at Beginning of Year	25,475
Cash and Cash Equivalents at End of Year	\$ 10,447
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (54,210)
Adjustments to Reconcile Operating Loss To Net Cash Used by Operating Activities:	
Depreciation	1,415
Donated Commodities Used During the Year	17,223
(Increase) Decrease in Assets:	
Accounts Receivable	84
Material and Supplies Inventory	(3,291)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	82
Intergovernmental Payable	520
Deferred Revenue	(1,813)
Accrued Wages and Benefits	836
 Net Cash Used by Operating Activities	\$ (39,154)

The notes to the financial statements are an integral part of this statement.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS JUNE 30, 2000

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Holgate Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Holgate Local School District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's four instructional/support facilities.

The Reporting Entity

The District has implemented the Government Accounting Standards Board (GASB) pronouncements concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds, account groups, agencies, boards, commissions, and component units over which the District officials exercise oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District's full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility, which required incorporation into the financial statements.

The School District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Joint Vocational School, the Holgate Community Library, the Northern Buckeye Education Council's Employee Insurance Benefit Program, and the Northern Buckeye Education Council (NBEC) Workers' Compensation Group Rating Plan. These organizations are presented in Notes 12, 13, and 14 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Agency Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.
 - b. Property taxes measurable but not available as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

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

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds - The funds through which most Board of Education functions are typically financed.

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - The fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

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

Proprietary Funds - The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows. The following is the District's proprietary fund type:

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

Fiduciary Funds - The funds used to account for assets not owned by the Board, but held for a separate entity.

Agency Funds - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis. The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2000
 (Continued)

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2000 follows:

Excess (Deficiency) of Revenues and Other Financing
 Sources Over (Under) Expenditures and Other Uses
 For the Year Ended June 30, 2000

	General	Special Revenue	Capital Projects
Budget basis	\$343,521	\$17,945	(\$130,169)
Adjustments:			
Revenue accruals	(114,050)	14,880	756
Expenditure accruals	(9,735)	(12,317)	91,085
Other Financing Sources (Uses)	(2,015)	(436)	0
Reserve for encumbrances	20,270	861	0
GAAP Basis	\$237,991	\$20,933	\$(38,328)

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2000, investments were limited to a repurchase agreement account, STAR Ohio, a secure asset account and a certificate account. The repurchase agreement account, secure asset account and certificate account are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. 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, 2000.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general and food service funds during fiscal year 2000 amounted to \$87,731 and \$133, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. No depreciation is recognized for assets in General Fixed Assets Account Group. The District does not have any infrastructure.

2. Proprietary Funds

Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of five to twenty years.

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

School Bus Purchase Reimbursement

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

Non-Reimbursable Grants

Special Revenue Funds

Drug Free School Grant

Title I Grant

Title VI Grant

Henry County Works Grant

Ohio SchoolNet

Professional Development Grant

Education Management Information Systems (EMIS)

Educational Innovation Grant

Teacher Development

Disadvantaged Pupil Impact Program

Textbook/Instructional Materials Subsidy

Ohio Reads Grant

Eisenhower Math/Science Grant

Title VI-B Grant

Preschool Disabilities Grant

Capital Projects

SchoolNet

SchoolNet Plus

Technology Equity

Emergency Repair Grant

Reimbursable Grants

Enterprise Fund

National School Lunch Program

Food Distribution Program

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans receivable and interfund loans payable.

J. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

K. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, textbook purchases, and capital acquisitions.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

L. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

M. Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand and deposits at banks along with highly liquid investments that have a maturity date of 90 days or less.

N. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the School District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future.

Sick leave benefits are accrued as a liability using the vested method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

O. Pass-through Grants

The Eisenhower, Title VI-B and the Handicapped Preschool special revenue funds are pass through grants in which the Northwest Ohio Education Service Center is the primary recipient. In accordance with GASB Statement No. 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance" the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

P. Prior Period Adjustment

A prior period adjustment is necessary in 2000 to correct income tax revenue in the General Fund. Income taxes receivable of \$122,242, which met both the measurable and available criteria, were not recorded as of June 30, 1999. The following table summarizes the effect on the General Fund:

Fund balance at June 30, 1999	\$ 1,172,975
Adjustment for income taxes receivable	<u>122,242</u>
Fund balance restated at June 30, 1999	\$ <u>1,295,217</u>

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those 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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
6. The Ohio State Treasurer's investment pool (STAR Ohio).

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

Cash on Hand At year end, the District had \$2,050 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year end, the carrying amount of the School District's deposits was \$1,826,917 and the bank balance was \$1,912,091. Of the bank balance, \$253,552 was covered by federal depository insurance and \$1,658,539 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal regulations could potentially subject the District to a successful claim by the FDIC.

Investments The District's investments are categorized below to give an indication of the level of risk assumed by the entity at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes, uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasury, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The \$364,392 carrying value in the State Treasurer's Investment Pool (Star Ohio) approximated the fair value at June 30, 2000.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$2,193,359	
Cash on Hand	(2,050)	
STAR Ohio	(364,392)	364,392
GASB Statement 3	\$1,826,917	\$2,039,392

4. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	April 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and August.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2000. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2000.

The assessed values of properties upon which property tax revenues were based are as follows:

	Amount
Residential/Agricultural	\$29,564,340
Commercial/Industrial	1,160,810
Public Utility	4,194,120
General Personal Property	1,236,315
Total valuation	\$36,155,585

5. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

Asset Category	Balance at 07/01/99	Additions	Disposals	Balance at 6/30/00
Land and Improvements	\$255,523	0	0	\$255,523
Buildings	3,683,834	0	0	3,683,834
Furniture, fixtures, and equipment	1,361,968	65,096	\$10,617	1,416,447
Vehicles	394,002	0	0	394,002
Text & Library Books	337,413	0	0	337,413
Totals	\$6,032,740	\$65,096	\$10,617	\$6,087,219

A summary of the Enterprise Fund fixed assets follows:

Asset Category	Balance at 6/30/00
Furniture, fixtures, and Equipment	\$74,363
Less: Accumulated Depreciation	(66,768)
Totals	\$7,595

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

6. LONG-TERM OBLIGATIONS

The following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at July 1, 1999	Additions	Deductions	Balance at June 30, 2000
Intergovernmental Payable	\$24,211	\$27,854	\$24,211	\$27,854
Compensated Absences	304,855	21,499	0	326,354
Total	\$329,066	\$49,353	\$24,211	\$354,208

7. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn 10 vacation days per year, however the accumulated leave cannot be used until after one year of service. Non-certified employees are permitted to carry over vacation leave.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 45 days.

At June 30, 2000 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$5,571 and \$326,354 respectively. The liability for compensated absences in the proprietary funds at June 30, 2000 was \$5,879.

8. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability 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. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$66,704, \$64,674, and \$61,252, respectively; 59 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$27,210 representing unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

B. State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2000, were 9.3 percent of covered payroll for members and 14 percent for employers. 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 employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$258,883, \$249,830, and \$240,153, respectively; 86 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$35,203 representing unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account.

9. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. For the School District, this amount was approximately \$148,000 during fiscal year 2000. The balance in the Health Care Reserve Fund was \$2.783 billion on June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.30 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000. For the School District, this amount to fund health care benefits, including the surcharge, was approximately \$30,000 during the 2000 fiscal year.

10. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully coinsured. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council (NBEC) for the benefits offered to its employees, which includes health, dental, and life insurance. NBEC is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 13). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

11. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply. Segment information was as follows:

	Lunchroom/ Cafeteria	Uniform School Supply	Total Enterprise Funds
Operating revenues	\$113,215	\$11,882	\$125,097
Depreciation	1,415	0	1,415
Operating Income (Loss)	(57,671)	3,461	(54,210)
Donated commodities	17,223	0	17,223
Grants	22,945	0	22,945
Interest	133	0	133
Net Income (Loss)	(17,370)	3,461	(13,909)
Net working capital	(12,592)	3,323	(9,269)
Total assets	19,439	10,823	30,262
Total liabilities	24,436	7,500	31,936
Total equity	(\$4,997)	\$3,323	(\$1,674)

12. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$32,028. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during fiscal years ending June 30, 2000 were \$2,500. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

C. Four County Joint Vocational School

The Four County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to Michele Zeedyk, Treasurer, Route 1, Box 245A, Archbold, Ohio 43502.

13. GROUP PURCHASING POOLS

A. Northern Buckeye Education Council's Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during fiscal year ending June 30, 2000 were \$219,119. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover costs of administering the program. During fiscal year ending June 30, 2000, the District paid an enrollment fee of \$423 to WCGRP to cover costs of administering the program.

14. RELATED ORGANIZATION

Holgate Community Library - The Holgate Community Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Holgate Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Holgate Community Library, Leanna Waisner, Clerk/Treasurer, at 204 Railway Avenue, Holgate, Ohio 43527.

15. SCHOOL DISTRICT INCOME TAX

In 1991, the voters of the Holgate Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2000, the District recorded income tax revenue of \$403,533 in the General Fund, of which \$126,311 is recorded as a receivable at June 30, 2000.

HOLGATE LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

16. SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 13, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

17. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the 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 School District is also required to set aside money for budget stabilization. The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999	\$24,326	0	\$37,758	
Current Year Set-aside Requirement	75,219	\$75,219	0	
Current Year Offsets	0	(51,301)	0	
Qualifying Disbursements	(32,322)	(20,760)	0	
Total	<u>\$67,223</u>	<u>\$3,158</u>	<u>\$37,758</u>	
Cash Balance Carried Forward to FY 2001	<u>\$67,223</u>	<u>\$3,158</u>	<u>\$37,758</u>	
Amount restricted for Textbooks				\$67,223
Amount restricted for Capital Improvements				3,158
Amount restricted for Budget Stabilization				37,758
Total Restricted Assets				<u>\$108,139</u>

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Holgate Local School District:

We have audited the general purpose financial statements of Holgate Local School District, as of and for the years ended June 30, 2001 and 2000, and have issued our report thereon dated December 13, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 13, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

HOLGATE LOCAL SCHOOL DISTRICT

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 29, 2002**