



Dave Yost • Auditor of State



HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Holgate Local School District  
Henry County  
801 East Joe E Brown Avenue  
Holgate, Ohio 43527

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

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

**Dave Yost**  
Auditor of State

January 10, 2014

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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The discussion and analysis of Holgate Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

### **Highlights**

Highlights for fiscal year 2012 are as follows:

In total, net assets decreased \$283,818, or 1 percent, from the prior fiscal year.

General revenues accounted for 80 percent of total revenues and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted state entitlements.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Holgate Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Holgate Local School District, the General Fund and the Bond Retirement debt service fund are the most significant funds.

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

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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In the statement of net assets and the statement of activities, the School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Latchkey program (afterschool activities) is reported as a business-type activity.

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

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Bond Retirement debt service fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Enterprise Fund - The School District's enterprise fund is used to report the same function that is presented as a business-type activity on the government-wide financial statements and uses the accrual basis of accounting. The School District uses an enterprise fund to account for the Latchkey program (afterschool activities).

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.



Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2012 and fiscal year 2011.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
<u>Assets</u>						
Current and Other Assets	\$5,079,629	\$4,996,819	\$1,302	\$1,659	\$5,080,931	\$4,998,478
Capital Assets, Net	20,859,735	21,137,575	0	0	20,859,735	21,137,575
Total Assets	25,939,364	26,134,394	1,302	1,659	25,940,666	26,136,053
<u>Liabilities</u>						
Current and Other Liabilities	2,083,557	1,838,184	0	0	2,083,557	1,838,184
Long-Term Liabilities	4,324,942	4,481,884	0	0	4,324,942	4,481,884
Total Liabilities	6,408,499	6,320,068	0	0	6,408,499	6,320,068
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	16,803,730	17,041,458	0	0	16,803,730	17,041,458
Restricted	895,749	1,079,260	0	0	895,749	1,079,260
Unrestricted	1,831,386	1,693,608	1,302	1,659	1,832,688	1,695,267
Total Net Assets	\$19,530,865	\$19,814,326	\$1,302	\$1,659	\$19,532,167	\$19,815,985

As noted previously, the overall change in net assets was 1 percent, not a significant change from the prior fiscal year. For governmental activities, the most significant change was an increase in current and other liabilities and due to the deferred portion of taxes receivable.

The change in net assets for the business-type activity was not significant.

Table 2 reflects the change in net assets for fiscal year 2012 and fiscal year 2011.

Table 2  
Change in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$643,018	\$631,188	\$4,605	\$6,517	\$647,623	\$637,705
Operating Grants and Contributions	561,252	714,366	0	0	561,252	714,366
Capital Grants and Contributions	28,000	0	0	0	28,000	0
Total Program Revenues	1,232,270	1,345,554	4,605	6,517	1,236,875	1,352,071

(continued)

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Table 2  
Change in Net Assets  
(continued)

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
<u>Revenues</u> (continued)						
General Revenues						
Property Taxes Levied for General Purposes	\$1,055,509	\$753,964	\$0	\$0	\$1,055,509	\$753,964
Property Taxes Levied for Classroom Facilities Purposes	18,820	17,008	0	0	18,820	17,008
Property Taxes Levied for Debt Service Purposes	427,937	299,272	0	0	427,937	299,272
Property Taxes Levied for Permanent Improvements	59,507	35,784	0	0	59,507	35,784
Income Taxes	699,323	688,698	0	0	699,323	688,698
Payment in Lieu of Taxes	1,477	1,653	0	0	1,477	1,653
Grants and Entitlements	2,513,026	2,564,322	0	0	2,513,026	2,564,322
Interest	16,581	28,687	0	0	16,581	28,687
Gifts and Donations	3,621	1,415	0	0	3,621	1,415
Miscellaneous	84,623	566,667	0	0	84,623	566,667
Total General Revenues	<u>4,880,424</u>	<u>4,957,470</u>	<u>0</u>	<u>0</u>	<u>4,880,424</u>	<u>4,957,470</u>
Total Revenues	<u>6,112,694</u>	<u>6,303,024</u>	<u>4,605</u>	<u>6,517</u>	<u>6,117,299</u>	<u>6,309,541</u>
<u>Expenses</u>						
Instruction:						
Regular	2,978,602	2,961,015	0	0	2,978,602	2,961,015
Special	567,850	610,103	0	0	567,850	610,103
Vocational	125,886	127,814	0	0	125,886	127,814
Support Services:						
Pupils	258,342	298,780	0	0	258,342	298,780
Instructional Staff	186,147	214,364	0	0	186,147	214,364
Board of Education	15,547	30,296	0	0	15,547	30,296
Administration	487,759	500,266	0	0	487,759	500,266
Fiscal	175,080	176,225	0	0	175,080	176,225
Business	8,113	7,283	0	0	8,113	7,283
Operation of Maintenance of Plant	488,444	470,005	0	0	488,444	470,005
Pupil Transportation	227,149	210,896	0	0	227,149	210,896
Central	63,933	66,749	0	0	63,933	66,749
Non-Instructional Services	257,249	246,842	0	0	257,249	246,842
Extracurricular Activities	274,823	250,519	0	0	274,823	250,519
Interest and Fiscal Charges	281,231	216,600	0	0	281,231	216,600
Latchkey	0	0	4,962	4,732	4,962	4,732
Total Expenses	<u>6,396,155</u>	<u>6,387,757</u>	<u>4,962</u>	<u>4,732</u>	<u>6,401,117</u>	<u>6,392,489</u>
Increase (Decrease) in Net Assets	(283,461)	(84,733)	(357)	1,785	(283,818)	(82,948)
Net Assets (Deficit) at Beginning of Year	19,814,326	19,899,059	1,659	(126)	19,815,985	19,898,933
Net Assets at End of Year	<u>\$19,530,865</u>	<u>\$19,814,326</u>	<u>\$1,302</u>	<u>\$1,659</u>	<u>\$19,532,167</u>	<u>\$19,815,985</u>

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Program revenues represented 20 percent of total revenues for fiscal year 2012 (similar to the prior fiscal year) and primarily consist of restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales. The slight decrease in operating grants and contributions was due to the expiration of grant programs. Overall, general revenues changed very little from the prior fiscal year; however, the composition of general revenues changed somewhat. The increase in property and income taxes due to increases in assessed valuation and economic recovery were offset by the decrease in miscellaneous revenues. In fiscal year 2011, the School District received insurance proceeds recorded as miscellaneous revenue.

Expenses remained very similar to fiscal year 2011. The major program expense for governmental activities, as expected, continues to be for instruction, which accounts for 57 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 11 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, approximately 8 percent.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction:				
Regular	\$2,978,602	\$2,961,015	\$2,495,547	\$2,346,057
Special	567,850	610,103	205,079	248,696
Vocational	125,886	127,814	92,733	94,661
Support Services:				
Pupils	258,342	298,780	258,342	293,780
Instructional Staff	186,147	214,364	186,147	214,364
Board of Education	15,547	30,296	15,547	30,296
Administration	487,759	500,266	487,759	500,266
Fiscal	175,080	176,225	175,080	176,225
Business	8,113	7,283	8,113	7,283
Operation and Maintenance of Plant	488,444	470,005	488,444	470,005
Pupil Transportation	227,149	210,896	226,461	209,543
Central	63,933	66,749	60,333	62,199
Non-Instructional Services	257,249	246,842	5,638	5,910
Extracurricular Activities	274,823	250,519	177,431	166,318
Interest and Fiscal Charges	281,231	216,600	281,231	216,600
Total Expenses	<u>\$6,396,155</u>	<u>\$6,387,757</u>	<u>\$5,163,885</u>	<u>\$5,042,203</u>

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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The above table demonstrates that the dependence on tax revenues and other general revenues is considerable with 81 percent of all programs supported by these revenue sources. Approximately 76 percent of instruction activities are supported through taxes and other general revenues. Several programs, however, receive substantial support through program revenues. Approximately 64 percent of special instruction costs are provided for through program revenues. This is the result of various grants restricted for special instruction purposes. Almost all of the non-instructional services costs were covered by program revenues in fiscal year 2012. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Approximately 35 percent of extracurricular activities expenses were covered by program revenues. These program revenues are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

### **Governmental Funds Financial Analysis**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund increased 4 percent, generally due to an increase in property tax revenue and State provided resources. Expenditures remained similar to the prior fiscal year.

The increase in fund balance in the Bond Retirement fund was due to taxes collected being more than the debt principal payment for the year. There was also a current refunding of debt which occurred within the fiscal year.

### **Business-Type Activity Financial Analysis**

The School District's business-type activity is the latchkey program which provides for afterschool activities. For fiscal year 2012, this activity had a slight operating loss.

### **General Fund Budgeting Highlights**

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

During fiscal year 2012, the School District amended its General Fund budget as needed. For revenues, changes from both the original budget to the final budget and from the final budget to actual revenues were not significant. Changes from the original budget to the final budget were not significant for expenditures; however, actual expenditures were almost 7 percent less than amounts budgeted due to conservative budgeting.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of fiscal year 2012, the School District had \$20,859,735 invested in capital assets (net of accumulated depreciation). The most significant additions for the fiscal year included construction on the roof, new gymnasium flooring, and parking lot. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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Debt

The School District's outstanding debt at fiscal year end included long-term loans, in the amount of \$1,819,000, and general obligation bonds, in the amount of \$2,245,000. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

**Current Issues**

While the School District's current five-year forecast reflects positive balances for fiscal years 2013 through 2016, the School District will be deficit spending throughout this period with a deficit balance currently projected for fiscal year 2017.

The School District's current contract with the teachers' union covers the period from September 1, 2011, through August 31, 2014. The contract provides for a freeze in base salary and step increases in fiscal years 2012 and 2013. For fiscal year 2014, there will still be a freeze in step increases, but there will be a 2 percent base increase.

The School District has been experiencing declining enrollment and with so many residents' employment tied to the automotive industry and the difficulties this industry is encountering, a continued decline in enrollment is certainly possible.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lisa Shanks, Treasurer, Holgate Local School District, 801 East Joe E. Brown Avenue, Holgate, Ohio 43527.

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Holgate Local School District  
Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,158,903	\$1,302	\$3,160,205
Accounts Receivable	7,295	0	7,295
Accrued Interest Receivable	2,067	0	2,067
Intergovernmental Receivable	7,370	0	7,370
Inventory Held for Resale	5,698	0	5,698
Materials and Supplies Inventory	9,524	0	9,524
Property Taxes Receivable	1,621,615	0	1,621,615
Income Taxes Receivable	267,157	0	267,157
Nondepreciable Capital Assets	623,397	0	623,397
Depreciable Capital Assets, Net	20,236,338	0	20,236,338
Total Assets	<u>25,939,364</u>	<u>1,302</u>	<u>25,940,666</u>
<u>Liabilities:</u>			
Accounts Payable	18,202	0	18,202
Contracts Payable	202,170	0	202,170
Accrued Wages and Benefits Payable	365,183	0	365,183
Matured Compensated Absences Payable	18,171	0	18,171
Intergovernmental Payable	123,294	0	123,294
Retainage Payable	2,896	0	2,896
Separation Benefits Payable	1,172	0	1,172
Deferred Revenue	1,337,359	0	1,337,359
Accrued Interest Payable	15,110	0	15,110
Long-Term Liabilities:			
Due Within One Year	186,875	0	186,875
Due in More Than One Year	4,138,067	0	4,138,067
Total Liabilities	<u>6,408,499</u>	<u>0</u>	<u>6,408,499</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	16,803,730	0	16,803,730
Restricted For:			
Debt Service	455,741	0	455,741
Capital Projects	122,791	0	122,791
Other Purposes	317,217	0	317,217
Unrestricted	1,831,386	1,302	1,832,688
Total Net Assets	<u>\$19,530,865</u>	<u>\$1,302</u>	<u>\$19,532,167</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$2,978,602	\$429,185	\$33,430	\$20,440
Special	567,850	0	362,211	560
Vocational	125,886	0	33,153	0
Support Services:				
Pupils	258,342	0	0	0
Instructional Staff	186,147	0	0	0
Board of Education	15,547	0	0	0
Administration	487,759	0	0	0
Fiscal	175,080	0	0	0
Business	8,113	0	0	0
Operation and Maintenance of Plant	488,444	0	0	0
Pupil Transportation	227,149	0	688	0
Central	63,933	0	3,600	0
Non-Instructional Services	257,249	123,441	128,170	0
Extracurricular Activities	274,823	90,392	0	7,000
Interest and Fiscal Charges	281,231	0	0	0
Total Governmental Activities	6,396,155	643,018	561,252	28,000
 <u>Business-Type Activity:</u>				
Latchkey	4,962	4,605	0	0
Total Primary Government	\$6,401,117	\$647,623	\$561,252	\$28,000

General Revenues:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Classroom Facilities Purposes  
Property Taxes Levied for Debt Service Purposes  
Property Taxes Levied for Permanent Improvements  
Income Taxes  
Payment in Lieu of Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Gifts and Donations  
Miscellaneous  
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year  
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements



Net (Expense) Revenue  
and Change in Net Assets

Primary Government		
Governmental Activities	Business-Type Activity	Total
(\$2,495,547)	\$0	(\$2,495,547)
(205,079)	0	(205,079)
(92,733)	0	(92,733)
(258,342)	0	(258,342)
(186,147)	0	(186,147)
(15,547)	0	(15,547)
(487,759)	0	(487,759)
(175,080)	0	(175,080)
(8,113)	0	(8,113)
(488,444)	0	(488,444)
(226,461)	0	(226,461)
(60,333)	0	(60,333)
(5,638)	0	(5,638)
(177,431)	0	(177,431)
(281,231)	0	(281,231)
(5,163,885)	0	(5,163,885)
0	(357)	(357)
(5,163,885)	(357)	(5,164,242)
1,055,509	0	1,055,509
18,820	0	18,820
427,937	0	427,937
59,507	0	59,507
699,323	0	699,323
1,477	0	1,477
2,513,026	0	2,513,026
16,581	0	16,581
3,621	0	3,621
84,623	0	84,623
4,880,424	0	4,880,424
(283,461)	(357)	(283,818)
19,814,326	1,659	19,815,985
\$19,530,865	\$1,302	\$19,532,167

Holgate Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2012

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,119,973	\$395,841	\$643,089	\$3,158,903
Accounts Receivable	7,295	0	0	7,295
Accrued Interest Receivable	2,056	0	11	2,067
Intergovernmental Receivable	7,370	0	0	7,370
Inventory Held for Resale	0	0	5,698	5,698
Materials and Supplies Inventory	9,220	0	304	9,524
Property Taxes Receivable	1,119,471	423,379	78,765	1,621,615
Income Taxes Receivable	267,157	0	0	267,157
Total Assets	<u>\$3,532,542</u>	<u>\$819,220</u>	<u>\$727,867</u>	<u>\$5,079,629</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$7,413	\$0	\$10,789	\$18,202
Contracts Payable	0	0	202,170	202,170
Accrued Wages and Benefits Payable	355,775	0	9,408	365,183
Matured Compensated Absences Payable	18,171	0	0	18,171
Intergovernmental Payable	117,807	0	5,487	123,294
Retainage Payable	0	0	2,896	2,896
Deferred Revenue	1,046,899	368,248	53,904	1,469,051
Total Liabilities	<u>1,546,065</u>	<u>368,248</u>	<u>284,654</u>	<u>2,198,967</u>
<u>Fund Balances:</u>				
Nonspendable	9,220	0	304	9,524
Restricted	0	450,972	443,070	894,042
Assigned	24,973	0	0	24,973
Unassigned (Deficit)	1,952,284	0	(161)	1,952,123
Total Fund Balances	<u>1,986,477</u>	<u>450,972</u>	<u>443,213</u>	<u>2,880,662</u>
Total Liabilities and Fund Balances	<u>\$3,532,542</u>	<u>\$819,220</u>	<u>\$727,867</u>	<u>\$5,079,629</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Assets of Governmental Activities  
 June 30, 2012

Total Governmental Fund Balances	\$2,880,662
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,859,735
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	7,225	
Accrued Interest Receivable	1,906	
Property Taxes Receivable	75,565	
Income Taxes Receivable	46,996	
		131,692

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(15,110)	
Loans Payable	(1,819,000)	
General Obligation Bonds Payable	(2,245,000)	
Compensated Absences Payable	(260,942)	
Separation Benefits Payable	(1,172)	
		(4,341,224)

Net Assets of Governmental Activities	<u><u>\$19,530,865</u></u>
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See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$1,049,544	\$425,352	\$78,774	\$1,553,670
Income Taxes	697,318	0	0	697,318
Payment in Lieu of Taxes	1,477	0	0	1,477
Intergovernmental	2,663,577	69,515	382,136	3,115,228
Interest	16,933	0	1,363	18,296
Tuition and Fees	428,373	0	0	428,373
Extracurricular Activities	5,659	0	84,733	90,392
Charges for Services	0	0	123,441	123,441
Gifts and Donations	3,621	0	0	3,621
Miscellaneous	44,401	0	40,222	84,623
Total Revenues	<u>4,910,903</u>	<u>494,867</u>	<u>710,669</u>	<u>6,116,439</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,531,643	0	69,166	2,600,809
Special	386,558	0	156,542	543,100
Vocational	103,792	0	0	103,792
Support Services:				
Pupils	246,276	0	0	246,276
Instructional Staff	165,722	0	0	165,722
Board of Education	15,547	0	0	15,547
Administration	461,381	0	5,696	467,077
Fiscal	139,647	18,747	2,134	160,528
Business	8,113	0	0	8,113
Operation and Maintenance of Plant	335,837	0	231,127	566,964
Pupil Transportation	195,392	0	0	195,392
Central	60,348	0	3,585	63,933
Non-Instructional Services	0	0	226,643	226,643
Extracurricular Activities	140,053	0	89,256	229,309
Capital Outlay	0	0	222,716	222,716
Debt Service:				
Principal Retirement	0	1,290,000	14,803	1,304,803
Interest and Fiscal Charges	0	278,104	5,954	284,058
Total Expenditures	<u>4,790,309</u>	<u>1,586,851</u>	<u>1,027,622</u>	<u>7,404,782</u>
Excess of Revenues Over (Under) Expenditures	<u>120,594</u>	<u>(1,091,984)</u>	<u>(316,953)</u>	<u>(1,288,343)</u>
<u>Other Financing Sources (Uses):</u>				
General Obligation Bonds Issued	0	1,155,000	0	1,155,000
Sale of Capital Assets	870	0	0	870
Transfers In	0	26,490	276,594	303,084
Transfers Out	(37,305)	0	(265,779)	(303,084)
Total Other Financing Sources (Uses)	<u>(36,435)</u>	<u>1,181,490</u>	<u>10,815</u>	<u>1,155,870</u>
Changes in Fund Balances	84,159	89,506	(306,138)	(132,473)
Fund Balances at Beginning of Year	1,902,318	361,466	749,351	3,013,135
Fund Balances at End of Year	<u>\$1,986,477</u>	<u>\$450,972</u>	<u>\$443,213</u>	<u>\$2,880,662</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2012

Changes in Fund Balances - Total Governmental Funds (\$132,473)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current fiscal year:

Capital Outlay - Nondepreciable Capital Assets	285,944	
Capital Outlay - Depreciable Capital Assets	2,776	
Capital Contributions	28,000	
Depreciation	(590,760)	(274,040)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(870)	
Loss on Disposal of Capital Assets	(2,930)	(3,800)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	8,103	
Income Taxes	2,005	
Intergovernmental	(40,950)	
Interest	(1,715)	
Tuition and Fees	812	(31,745)

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 1,304,803

Bond proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (1,155,000)

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net assets. 2,827

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences Payable	7,139	
Separation Benefits Payable	(1,172)	5,967

Change in Net Assets of Governmental Activities (\$283,461)

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
<u>Revenues:</u>				
Property Taxes	\$851,812	\$975,630	\$975,630	\$0
Income Taxes	695,000	697,544	697,544	0
Payment in Lieu of Taxes	1,500	1,500	1,477	(23)
Intergovernmental	2,587,685	2,587,685	2,656,554	68,869
Interest	35,000	25,000	16,835	(8,165)
Tuition and Fees	411,200	436,694	428,303	(8,391)
Extracurricular Activities	3,000	3,000	5,659	2,659
Gifts and Donations	1,500	1,500	3,621	2,121
Miscellaneous	50,890	50,890	42,669	(8,221)
<b>Total Revenues</b>	<b>4,637,587</b>	<b>4,779,443</b>	<b>4,828,292</b>	<b>48,849</b>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,583,431	2,625,470	2,504,064	121,406
Special	389,658	393,172	380,976	12,196
Vocational	116,002	120,771	108,435	12,336
Support Services:				
Pupils	290,291	290,398	248,315	42,083
Instructional Staff	194,652	194,887	165,447	29,440
Board of Education	20,905	23,884	15,423	8,461
Administration	498,537	519,377	473,949	45,428
Fiscal	145,538	168,773	140,555	28,218
Business	8,500	8,558	8,075	483
Operation and Maintenance of Plant	322,873	340,359	338,802	1,557
Pupil Transportation	198,202	217,025	194,545	22,480
Central	76,667	76,697	60,337	16,360
Extracurricular Activities	138,578	141,669	139,001	2,668
Debt Service:				
Interest and Fiscal Charges	26,490	26,490	26,490	0
<b>Total Expenditures</b>	<b>5,010,324</b>	<b>5,147,530</b>	<b>4,804,414</b>	<b>343,116</b>
Excess of Revenues Over (Under) Expenditures	(372,737)	(368,087)	23,878	391,965
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	0	1,732	1,732
Sale of Capital Assets	0	0	870	870
Advances In	0	0	18,803	18,803
Advances Out	(9,324)	(18,803)	(18,803)	0
Transfers Out	0	(11,230)	(10,815)	415
<b>Total Other Financing Sources (Uses)</b>	<b>(9,324)</b>	<b>(30,033)</b>	<b>(8,213)</b>	<b>21,820</b>
<b>Changes in Fund Balance</b>	<b>(382,061)</b>	<b>(398,120)</b>	<b>15,665</b>	<b>413,785</b>
Fund Balance at Beginning of Year	2,054,538	2,054,538	2,054,538	0
Prior Year Encumbrances Appropriated	29,989	29,989	29,989	0
<b>Fund Balance at End of Year</b>	<b>\$1,702,466</b>	<b>\$1,686,407</b>	<b>\$2,100,192</b>	<b>\$413,785</b>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Statement of Fund Net Assets  
Enterprise Fund  
June 30, 2012

	<u>Latchkey</u>
<u>Assets:</u>	
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,302</u>
 <u>Net Assets:</u>	
Unrestricted	<u>\$1,302</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Statement of Revenues, Expenses, and Change in Fund Net Assets  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2012

	<u>Latchkey</u>
<u>Operating Revenues:</u>	
Tuition and Fees	\$4,605
<u>Operating Expenses:</u>	
Salaries	3,814
Fringe Benefits	589
Other Operating Expenses	559
Total Operating Expenses	4,962
Operating Loss	(357)
Net Assets at Beginning of Year	1,659
Net Assets at End of Year	\$1,302

See Accompanying Notes to the Basic Financial Statements



Holgate Local School District  
Statement of Cash Flows  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2012

	Latchkey
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Tuition and Fees	\$4,605
Cash Payments for Salaries	(3,814)
Cash Payments for Fringe Benefits	(589)
Cash Payments for Other Operating Expenses	(559)
Net Cash Used for Operating Activities	(357)
Cash and Cash Equivalents at Beginning of Year	1,659
Cash and Cash Equivalents at End of Year	\$1,302
Reconciliation of Operating Loss	
<u>to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$357)

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$124,511	\$20,107
Accrued Interest Receivable	433	0
Total Assets	\$124,944	\$20,107
 <u>Liabilities:</u>		
Due to Students	0	\$20,107
 <u>Net Assets:</u>		
Held in Trust for Scholarships	\$124,944	

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Statement of Change in Fiduciary Net Assets  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2012

Additions:

Interest \$999

Deductions:

Non-Instructional Services 1,050

Change in Net Assets (51)

Net Assets at Beginning of Year 124,995

Net Assets at End of Year \$124,944

See Accompanying Notes to the Basic Financial Statements

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

Holgate Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1892. The School District serves an area of approximately fifty-four square miles. It is located in Henry County and includes all of the Village of Holgate and portions of Flatrock, Marion, Monroe, and Pleasant Townships. The School District is the 597<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-five classified employees, thirty-six certified teaching personnel, and three administrative employees who provide services to four hundred sixty-three students and other community members. The School District currently operates one instructional building.

**Reporting Entity**

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

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

The School District participates in four jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northwest Ohio Educational Council Insurance Pool, the Northern Buckeye Education Council Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers’ Compensation Group Rating Plan, and the Holgate Community Library. These organizations are presented in Notes 19, 20, and 21 to the basic financial statements.

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

The basic financial statements of Holgate Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The School District does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its business-type activity or to its enterprise fund. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

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

**Fund Financial Statements**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**B. Fund Accounting**

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

Governmental Funds

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

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes restricted for the payment of principal, interest, and related costs on general obligation debt.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District has one enterprise fund, which is not a major fund, that accounts for after school activities.

Fiduciary Funds

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

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

Like the government-wide financial statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund is included on the statement of fund net assets. The statement of revenues, expenses, and change in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise fund.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

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

Revenues - Exchange and Nonexchange Transactions

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

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

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

**Deferred Revenues**

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level in all other funds. Budgetary allocations at the function level in the General Fund and at the function and object level within all other funds are made by the School District Treasurer.



**Note 2 - Summary of Significant Accounting Policies** (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

**F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2012, investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

The Board of Education allocates interest according to State statute. Interest revenue credited to the General Fund during fiscal year 2012 was \$16,933, which includes \$5,175 assigned from other School District funds.

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

**G. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

**H. Capital Assets**

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 - 40 years
Buildings and Building Improvements	20 - 75 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	15 years

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School 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. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**J. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term loans and bonds are recognized as liabilities on the fund financial statements when due.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**L. Fund Balance Reserves**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**M. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are fees for the after school program. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

**N. Capital Contributions**

Capital contributions arise from outside contributions of capital assets.

**O. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments made for interfund services provided and used are not eliminated.

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

**P. Estimates**

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

**Note 3 - Accountability**

At June 30, 2011, the Title I special revenue fund had deficit fund balance, in the amount of \$161, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$84,159
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2011, Received in Cash FY 2012	275,677
Accrued FY 2012, Not Yet Received in Cash	(356,450)
Expenditure Accruals:	
Accrued FY 2011, Paid in Cash FY 2012	(466,344)
Accrued FY 2012, Not Yet Paid in Cash	472,676
Cash Adjustments:	
Unrecorded Activity FY 2012	(106)
Materials and Supplies Inventory	(762)
Advances In	18,803
Advances Out	(18,803)
Transfers Out	26,490
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(19,675)
Budget Basis	\$15,665

**Note 5 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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

Interim deposits are 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.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 5 - Deposits and Investments** (continued)

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$533,188 of the School District's bank balance of \$3,344,574 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Note 6 - Receivables**

Receivables at June 30, 2012, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, property taxes, and income taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and income taxes, are expected to be collected within one year. Property taxes and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

At June 30, 2012, the General Fund had an intergovernmental receivable from the State of Ohio, in the amount of \$7,370.

**Note 7 - Property Taxes**

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

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 7 - Property Taxes** (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Henry County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2012, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$128,699 in the General Fund, \$5,990 in the Classroom Maintenance special revenue fund, \$55,131 in the Bond Retirement debt service fund, and \$18,871 in the Permanent Improvements capital projects fund. The amount available as an advance at June 30, 2011, was \$54,785 in the General Fund, \$3,254 in the Classroom Maintenance special revenue fund, \$28,536 in the Bond Retirement debt service fund, and \$11,581 in the Permanent Improvements capital projects fund.

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



Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 7 - Property Taxes** (continued)

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$39,313,080	90.51%	\$49,666,880	91.97%
Industrial/Commercial	2,083,530	4.80	2,258,730	4.18
Public Utility	2,038,210	4.69	2,079,940	3.85
Total Assessed Value	\$43,434,820	100.00%	\$54,005,550	100.00%
Tax rate per \$1,000 of assessed valuation	\$43.04		\$42.50	

**Note 8 - Income Taxes**

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Note 9 - Payment in Lieu of Taxes**

According to State law, Henry County has entered into agreements with a number of property owners under which Henry County has granted property tax exemptions to those property owners. The property owners have agreed to make payments which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements provide for a portion of these payments to be made to the School District. The property owner's contractually promise to make these payments in lieu of taxes until the agreement expires.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$448,987	\$0	\$0	\$448,987
Construction in Progress	179,631	313,944	(319,165)	174,410
Total Nondepreciable Capital Assets	<u>628,618</u>	<u>313,944</u>	<u>(319,165)</u>	<u>623,397</u>
Depreciable Capital Assets				
Land Improvements	1,924,403	0	0	1,924,403
Buildings and Building Improvements	19,821,987	319,165	0	20,141,152
Furniture, Fixtures, and Equipment	1,285,023	2,776	(27,323)	1,260,476
Vehicles	538,546	0	0	538,546
Total Depreciable Capital Assets	<u>23,569,959</u>	<u>321,941</u>	<u>(27,323)</u>	<u>23,864,577</u>
Less Accumulated Depreciation				
Land Improvements	(433,620)	(86,492)	0	(520,112)
Buildings and Building Improvements	(1,832,271)	(418,753)	0	(2,251,024)
Furniture, Fixtures, and Equipment	(532,033)	(54,649)	23,523	(563,159)
Vehicles	(263,078)	(30,866)	0	(293,944)
Total Accumulated Depreciation	<u>(3,061,002)</u>	<u>(590,760)</u>	<u>23,523</u>	<u>(3,628,239)</u>
Depreciable Capital Assets, Net	<u>20,508,957</u>	<u>(268,819)</u>	<u>(3,800)</u>	<u>20,236,338</u>
Governmental Activities Capital Assets, Net	<u>\$21,137,575</u>	<u>\$45,125</u>	<u>(\$322,965)</u>	<u>\$20,859,735</u>

The School District accepted contributions of depreciable capital assets for governmental activities with a fair value of \$28,000 during fiscal year 2012.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 10 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$283,711
Special	24,750
Vocational	23,394
Support Services:	
Pupils	8,401
Instructional Staff	20,076
Administration	21,177
Fiscal	12,571
Operation and Maintenance of Plant	92,430
Pupil Transportation	30,867
Non-Instructional Services	27,869
Extracurricular Activities	45,514
Total Depreciation Expense	\$590,760

**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted for the following insurance coverage.

Coverage provided by Selective Insurance Company of the Southeast is as follows:

General Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Vehicle Liability	1,000,000
Building and Contents	30,294,072

Coverage provided by Federal Insurance Company:

Boiler and Machinery	50,000,000
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Coverage provided by The Travelers Insurance Company:

Excess Property	5,000,000
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Coverage provided by Genesis Insurance Company:

Umbrella	5,000,000
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**Note 11 - Risk Management** (continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. The umbrella coverage was reduced substantially from the prior fiscal year due to a reduction in overall exposure.

For fiscal year 2012, the School District participated in the Northwest Ohio Educational Council Insurance Pool (Pool), an insurance purchasing pool. Each participant enters into an individual agreement with the Pool for insurance coverage and pays annual premiums to the Pool based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, vision, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to all 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.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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 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.

**Note 12 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Note 12 - Defined Benefit Pension Plans** (continued)

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$283,730 (DBP only) for the fiscal year ended June 30, 2012, \$279,375 and \$5,278 for the fiscal year ended June 30, 2011, and \$261,215 and \$5,317 for the fiscal year ended June 30, 2010. For fiscal year 2012, 82 percent has been contributed for both the DBP and CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$79 made by the School District and \$56 made by the plan members. There was no employee contribution to the defined contribution portion of the CP.

**B. School Employees Retirement System**

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**Note 12 - Defined Benefit Pension Plans** (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$64,998, \$58,063, and \$63,415, respectively. For fiscal year 2012, 48 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2012, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 13 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$21,831, \$21,899, and \$20,922, respectively. For fiscal year 2012, 82 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**Note 13 - Postemployment Benefits** (continued)

**B. School Employees Retirement System**

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2012, this amount was \$35,800. For fiscal year 2012, the School District paid \$10,131 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$2,815, \$7,030, and \$2,283, respectively. For fiscal year 2012, 48 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$3,838, \$3,736, and \$3,771, respectively. For fiscal year 2012, 48 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**Note 14 - Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to thirty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**Note 14 - Other Employee Benefits** (continued)

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred ten days for certified employees and two hundred days for classified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of fifty-two and one-half days for certified employees and fifty days for classified employees.

**B. Health Care Benefits**

The School District provides medical, dental, vision, and life insurance to most employees through the Northern Buckeye Education Council Employee Insurance Benefits Program.

**C. Separation Benefits**

The School District provides a separation benefit to eligible certified employees. A full-time employee eligible to retire under the provisions of the State Teachers Retirement System will be paid two percent of their salary following retirement if notification of pending retirement is submitted in writing to the Superintendent no later than April 1 for retirement effective at the end of the current school year or prior to the following school year. At June 30, 2012, the School District had a liability for separation benefits of \$1,172.

**Note 15 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
Governmental Activities					
FY11 Loan Payable 4.5%	\$125,000	\$0	\$5,000	\$120,000	\$15,000
FY09 Loan Payable 3.3%	9,803	0	9,803	0	0
FY06 Loan Payable 5.06%	1,724,000	0	25,000	1,699,000	30,000
Total Loans Payable	<u>1,858,803</u>	<u>0</u>	<u>39,803</u>	<u>1,819,000</u>	<u>45,000</u>
General Obligation Bonds					
FY12 School Facilities Construction and Improvement Refunding Bonds					
Term Bonds 3%	0	1,155,000	0	1,155,000	5,000
FY02 School Facilities Construction and Improvement Bonds					
Serial Bonds 2.25 - 5%	615,000	0	490,000	125,000	125,000
Term Bonds 4.9 - 6%	1,740,000	0	775,000	965,000	0
Total General Obligation Bonds	<u>2,355,000</u>	<u>1,155,000</u>	<u>1,265,000</u>	<u>2,245,000</u>	<u>130,000</u>
Compensated Absences Payable	<u>268,081</u>	<u>16,010</u>	<u>23,149</u>	<u>260,942</u>	<u>11,875</u>
Total Governmental Activities Long-Term Obligations	<u>\$4,481,884</u>	<u>\$1,171,010</u>	<u>\$1,327,952</u>	<u>\$4,324,942</u>	<u>\$186,875</u>



Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 15 - Long-Term Obligations** (continued)

FY11 Loan Payable - On May 13, 2011, the School District obtained a loan, in the amount of \$125,000, to purchase and install energy conservation measures. The loan was issued for a nine year period, with final maturity during fiscal year 2020. The loan is being retired from the Building capital projects fund. As of June 30, 2012, there were unspent proceeds, in the amount of \$7,995.

FY09 Loan Payable - On September 15, 2008, the School District obtained a loan, in the amount of \$56,376, to purchase a new bus. The loan was fully retired during fiscal year 2012. The loan was paid from the Permanent Improvements capital projects fund.

FY06 Loan Payable - On October 7, 2005, the School District obtained a loan, in the amount of \$1,800,000, for constructing school facilities. The loan was issued for a twenty-nine year period, with final maturity during fiscal year 2035. The loan is being retired from the Bond Retirement debt service fund.

FY 12 School Facilities Construction and Improvement Refunding Bonds - On January 12, 2012, the School District issued current refunding general obligation bonds, in the amount of \$1,155,000, to refund a portion of the FY 2002 School Facilities Construction and Improvement Bonds. The refunding bond issue includes term bonds. The bonds were issued for a twelve year period, with final maturity in fiscal year 2024. The bonds are being retired through the Bond Retirement debt service fund.

The bonds are subject to redemption, at the option of the School District, either in whole or in part, in such order of maturity as the School District shall determine, on any interest payment date on or after December 1, 2019, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The bonds are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2012	\$5,000
2013	115,000
2014	120,000
2015	130,000
2016	135,000
2017	145,000
2018	5,000
2019	5,000
2020	5,000
2021	5,000
2022	5,000
2023	230,000

The remaining principal, in the amount of \$250,000, will be paid at stated maturity on December 1, 2024.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 15 - Long-Term Obligations** (continued)

FY02 School Facilities Construction and Improvement Bonds - On April 15, 2002, the School District issued \$3,069,000 in voted general obligation bonds for the construction of a new elementary school and middle school. The bond issue included serial and term bonds, in the original amount of \$1,329,000 and \$1,740,000, respectively. The bonds were issued for a twenty-four year period, with final maturity during fiscal year 2026. During fiscal year 2012, a portion of the term bonds, in the amount of \$1,155,000 were refunded. The remaining bonds will be retired through the Bond Retirement debt service fund

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the year and the respective principal amounts as follows:

Year	Amount
2018	\$165,000
2019	175,000
2020	190,000
2021	210,000

The remaining principal, in the amount of \$225,000, will be paid at stated maturity on December 1, 2022.

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2023, in the amount of \$240,000 (with the balance of \$265,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The serial bonds maturing after December 1, 2012, are subject to redemption, at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2012, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was \$1,069,828 with an unvoted debt margin of \$52,032 at June 30, 2012.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 15 - Long-Term Obligations** (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2012, were as follows:

FY 11 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$15,000	\$5,062	\$20,062
2014	15,000	4,388	19,388
2015	15,000	3,713	18,713
2016	15,000	3,037	18,037
2017	15,000	2,362	17,362
2018-2020	45,000	3,038	48,038
Total	\$120,000	\$21,600	\$141,600

FY 06 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$30,000	\$85,715	\$115,715
2014	44,000	83,832	127,832
2015	46,000	81,542	127,542
2016	48,000	79,149	127,149
2017	50,000	76,655	126,655
2018-2022	292,000	341,131	633,131
2023-2027	372,000	257,148	629,148
2028-2032	473,000	150,027	623,027
2033-2035	344,000	26,825	370,825
Total	\$1,699,000	\$1,182,024	\$2,881,024

General Obligation Bonds				
Fiscal Year Ending June 30,	Serial	Term	Interest	Total
2013	\$125,000	\$5,000	\$153,407	\$283,407
2014	0	115,000	32,775	147,775
2015	0	120,000	29,250	149,250
2016	0	130,000	25,500	155,500
2017	0	135,000	21,525	156,525
2018-2022	0	905,000	330,075	1,235,075
2023-2025	0	710,000	62,437	772,437
Total	\$125,000	\$2,120,000	\$654,969	\$2,899,969

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 16 - Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$9,220	\$0	\$304	\$9,524
Restricted for:				
Athletics and Music	0	0	20,123	20,123
Debt Retirement	0	450,972	8,496	459,468
Facilities Maintenance	0	0	186,641	186,641
Food Service Operations	0	0	112,541	112,541
Permanent Improvements	0	0	115,269	115,269
Total Restricted	0	450,972	443,070	894,042
Assigned for:				
Educational Activities	9,501	0	0	9,501
Extracurricular Activities	317	0	0	317
Unpaid Obligations	15,155	0	0	15,155
Total Assigned	24,973	0	0	24,973
Unassigned (Deficit)	1,952,284	0	(161)	1,952,123
Total Fund Balance	\$1,986,477	\$450,972	\$443,213	\$2,880,662

**Note 17 - Set Asides**

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

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 17 - Set Aside** (continued)

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2012.

Balance June 30, 2011	\$0
Current Year Set Aside Requirement	78,955
Current Year Offsets	(63,865)
Qualifying Expenditures	(15,090)
Balance June 30, 2012	<u>\$0</u>

**Note 18 - Interfund Transfers**

During fiscal year 2012, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$26,490, as debt payments became due. The General Fund also made transfers to other governmental funds, in the amount of \$10,815 to subsidize various programs in other funds. Other governmental funds made transfers to other governmental funds in the amount of \$265,779 to subsidize various programs in other funds and to close out unspent OSFC monies to the Capital Maintenance fund.

**Note 19 - Jointly Governed Organizations**

**A. Northwest Ohio Computer Association**

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood 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 educational entities. The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2012, the School District paid \$64,194 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood 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 six 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. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

**Note 19 - Jointly Governed Organizations** (continued)

**C. Four County Career Center**

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, 22-900 State Route 34, Archbold, Ohio 43502.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio 45822.

**Note 20 - Insurance Pools**

**A. Northwest Ohio Educational Council Insurance Pool**

The School District participates in the Northwest Ohio Educational Council Insurance Pool (Pool), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Pool is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Pool's business and affairs are conducted by a nine member board consisting of superintendents and treasurers. Financial information can be obtained from the Lucas County Educational Service Center, 2275 Collingwood Boulevard, Toledo, Ohio, 43620.

**B. Northern Buckeye Education Council Employee Insurance Benefits Program**

The Northern Buckeye Education Council Employee Insurance Benefits Program (Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Program is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

**Note 20 - Insurance Pools** (continued)

**C. Northern Buckeye Education Council 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 (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**Note 21 - Related Organization**

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 Board of Education. The Board of Trustees possesses its own budgeting and contracting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, 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, 204 Railway Avenue, Holgate, Ohio 43527.

**Note 22 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

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# Dave Yost • Auditor of State

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

Holgate Local School District  
Henry County  
801 East Joe E Brown Avenue  
Holgate, Ohio 43527

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio (the District) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 2014.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 10, 2014



# Dave Yost • Auditor of State

**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  
FEBRUARY 4, 2014**