

HOLGATE LOCAL SCHOOL DISTRICT

General Purpose Financial Statements

Years Ended June 30, 2003 and 2002

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Education
Holgate Local School District

We have reviewed the Independent Auditor's Report of the Holgate Local School District, Henry County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2001 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 20, 2004

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HOLGATE LOCAL SCHOOL DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditors' Report	
General Purpose Financial Statements – June 30, 2002:	
Combined Balance Sheet – All Fund Types and Account Groups	1 – 2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	3 – 4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types	5 – 8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type	9
Combined Statement of Cash Flows – Proprietary Fund Type	10
Notes to the General Purpose Financial Statements	11 – 27
General Purpose Financial Statements – June 30, 2003:	
Combined Balance Sheet – All Fund Types and Account Groups	28 – 29
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	30 – 31
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types	32 – 35
Combined Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type	36
Combined Statement of Cash Flows – Proprietary Fund Type	37
Notes to the General Purpose Financial Statements	38 – 55
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	56

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Holgate Local School District:

We have audited the accompanying general purpose financial statements of Holgate Local School District, as of and for the years ended June 30, 2003 and 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Holgate Local School District, as of June 30, 2003 and 2002, and the results of its operations and cash flows of its proprietary fund type for the years 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 December 5, 2003, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 5, 2003

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,644,936	226,996	3,183,827	4,171,624
Receivables:				
Taxes	833,474	17,940	227,644	60,277
Accounts	-	338	-	-
Intergovernmental	-	6,631	-	11,787,242
Accrued Interest	24,557	-	-	38,142
Interfund Receivable	7,500	-	-	-
Income Tax	155,136	-	-	-
Materials and Supplies Inventory	1,377	-	-	-
Prepaid Items	3,314	-	-	-
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	80,635	-	-	-
Property, Plant and Equipment	-	-	-	-
Accumulated Depreciation	-	-	-	-
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations	-	-	-	-
Amount to be Provided From General Government Resources	-	-	-	-
Total Assets and Other Debits	<u>2,750,929</u>	<u>251,905</u>	<u>3,411,471</u>	<u>16,057,285</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	1,523	369	-	3,825
Accrued Wages and Benefits	354,984	11,928	-	-
Compensated Absences Payable	18,979	-	-	-
Interfund Payable	-	-	-	-
Intergovernmental Payable	59,464	313	-	-
Deferred Revenue	784,778	18,230	208,954	11,858,686
Undistributed Monies	-	-	-	-
Due to Students	-	-	-	-
Note Payable	-	-	-	3,069,000
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	<u>1,219,728</u>	<u>30,840</u>	<u>208,954</u>	<u>14,931,511</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved:				
Reserved for Encumbrances	33,042	6,668	-	267,450
Reserved for Inventory	1,377	-	-	-
Reserved for Prepaid Items	3,314	-	-	-
Reserved for Debt Service Principal	-	-	3,183,827	-
Reserved for Property Taxes	78,898	-	18,690	7,165
Reserved for Textbooks & Instructional Materials	80,635	-	-	-
Unreserved:				
Unreserved, Undesignated	1,333,935	214,397	-	851,159
Total Fund Equity and Other Credits	<u>1,531,201</u>	<u>221,065</u>	<u>3,202,517</u>	<u>1,125,774</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 2,750,929</u>	<u>251,905</u>	<u>3,411,471</u>	<u>16,057,285</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
38,178	136,340	-	-	9,401,901
-	-	-	-	1,139,335
81	-	-	-	419
-	-	-	-	11,793,873
-	-	-	-	62,699
-	-	-	-	7,500
-	-	-	-	155,136
3,321	-	-	-	4,698
-	-	-	-	3,314
-	-	-	-	80,635
74,363	-	6,301,619	-	6,375,982
(67,837)	-	-	-	(67,837)
-	-	-	3,202,517	3,202,517
-	-	-	207,600	207,600
<u>48,106</u>	<u>136,340</u>	<u>6,301,619</u>	<u>3,410,117</u>	<u>32,367,772</u>
59	3,982	-	-	9,758
12,607	-	-	-	379,519
4,261	-	-	311,454	334,694
7,500	-	-	-	7,500
8,148	-	-	29,663	97,588
2,404	-	-	-	12,873,052
-	413	-	-	413
-	13,255	-	-	13,255
-	-	-	-	3,069,000
-	-	-	3,069,000	3,069,000
<u>34,979</u>	<u>17,650</u>	<u>-</u>	<u>3,410,117</u>	<u>19,853,779</u>
-	-	6,301,619	-	6,301,619
13,127	-	-	-	13,127
-	-	-	-	307,160
-	-	-	-	1,377
-	-	-	-	3,314
-	-	-	-	3,183,827
-	-	-	-	104,753
-	-	-	-	80,635
-	118,690	-	-	2,518,181
<u>13,127</u>	<u>118,690</u>	<u>6,301,619</u>	<u>-</u>	<u>12,513,993</u>
<u>48,106</u>	<u>136,340</u>	<u>6,301,619</u>	<u>3,410,117</u>	<u>32,367,772</u>

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$ 2,164,348	151,127
Interest	102,765	-
Tuition and Fees	18,226	165
Rent	160	-
Extracurricular Activities	-	83,888
Gifts and Donations	2,860	-
Income Tax	403,911	-
Property & Other Local Taxes	775,317	9,072
Miscellaneous	16,590	1,392
Total Revenues	3,484,177	245,644
Expenditures:		
Instruction:		
Regular	1,811,390	58,713
Special	512	78,138
Vocational	145,042	-
Other	229,901	-
Support services:		
Pupils	98,770	1,599
Instructional Staff	160,073	28,852
Board of Education	14,352	-
Administration	368,178	8,803
Fiscal	178,492	462
Operation and Maintenance of Plant	297,472	-
Pupil Transportation	108,640	-
Central	38,069	10,842
Non-Instructional Services	-	2,650
Extracurricular activities	82,566	69,428
Capital Outlay	1,609	-
Debt Service		
Debt Service - Interest	-	-
Total Expenditures	3,535,066	259,487
Excess of Revenues Over (Under) Expenditures	(50,889)	(13,843)
Other Financing Sources and Uses		
Operating Transfers In	-	25,000
Proceeds from Sale of Bonds	-	-
Operating Transfers Out	(35,000)	-
Total Other Financing Sources (Uses)	(35,000)	25,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(85,889)	11,157
Fund Balance at Beginning of Year	1,617,090	209,908
Fund Balance at End of Year	\$ 1,531,201	221,065

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
11,846	670,983	-	2,998,304
-	34,839	-	137,604
-	-	-	18,391
-	-	-	160
-	-	-	83,888
-	-	118,690	121,550
-	-	-	403,911
131,180	54,496	-	970,065
-	-	-	17,982
<u>143,026</u>	<u>760,318</u>	<u>118,690</u>	<u>4,751,855</u>
-	13,607	-	1,883,710
-	2,762	-	81,412
-	-	-	145,042
-	-	-	229,901
-	-	-	100,369
-	-	-	188,925
-	-	-	14,352
-	7	-	376,988
2,422	1,552	-	182,928
-	-	-	297,472
-	-	-	108,640
-	17,000	-	65,911
-	-	-	2,650
-	-	-	151,994
-	91,029	-	92,638
-	22,939	-	22,939
<u>2,422</u>	<u>148,896</u>	<u>-</u>	<u>3,945,871</u>
<u>140,604</u>	<u>611,422</u>	<u>118,690</u>	<u>805,984</u>
-	22,939	-	47,939
3,084,852	-	-	3,084,852
(22,939)	-	-	(57,939)
<u>3,061,913</u>	<u>22,939</u>	<u>-</u>	<u>3,074,852</u>
3,202,517	634,361	118,690	3,880,836
-	491,413	-	2,318,411
<u>3,202,517</u>	<u>1,125,774</u>	<u>118,690</u>	<u>6,199,247</u>

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 2,246,605	2,164,348	(82,257)
Interest	150,000	127,314	(22,686)
Tuition and Fees	17,500	18,317	817
Rent	150	160	10
Extracurricular Activities	-	-	-
Gifts and Donations	2,500	2,860	360
Income Tax	400,000	403,526	3,526
Property & Other Local Taxes	785,310	788,389	3,079
Miscellaneous	1,500	3,456	1,956
Total Revenues	3,603,565	3,508,370	(95,195)
Expenditures:			
Current:			
Instruction:			
Regular	2,125,645	1,794,885	330,760
Special	2,850	446	2,404
Vocational	157,085	142,842	14,243
Adult/Continuing	500	-	500
Other	295,000	275,400	19,600
Support services:			
Pupils	115,675	101,542	14,133
Instructional Staff	186,595	156,419	30,176
Board of Education	28,695	14,352	14,343
Administration	435,570	383,380	52,190
Fiscal	182,470	156,447	26,023
Operation and Maintenance of Plant	438,780	294,133	144,647
Pupil Transportation	175,400	108,996	66,404
Central	92,000	38,062	53,938
Non-Instructional Services	-	-	-
Extracurricular activities	101,700	98,156	3,544
Capital Outlay	52,500	1,609	50,891
Debt Service:			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	4,390,465	3,566,669	823,796
Excess of Revenues Over (Under) Expenditures	(786,900)	(58,299)	728,601
Other Financing Sources and Uses:			
Operating Transfers In	13,000	14,998	1,998
Proceeds From the Sale of Bonds	-	-	-
Proceeds From the Sale of Notes	-	-	-
Refund of Prior Year Expenditures	16,250	14,034	(2,216)
Advances In	25,000	4,179	(20,821)
Operating Transfers Out	(150,000)	(50,515)	99,485
Refund of Prior Year Receipts	(250)	-	250
Advances Out	(25,000)	(4,179)	20,821
Total Other Financing Sources (Uses)	(121,000)	(21,483)	99,517
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(907,900)	(79,782)	828,118
Fund Balances at Beginning of Year	1,760,021	1,760,021	
Prior Year Encumbrances Appropriated	11,940	11,940	
Fund Balance at end of Year	\$ 864,061	1,692,179	

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

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
128,182	121,926	(6,256)	-	11,846	11,846
-	-	-	-	-	-
-	-	-	-	-	-
87,905	88,888	983	-	-	-
-	-	-	-	-	-
9,000	9,072	72	101,000	112,490	11,490
-	-	-	-	-	-
<u>225,087</u>	<u>219,886</u>	<u>(5,201)</u>	<u>101,000</u>	<u>124,336</u>	<u>23,336</u>
91,314	55,955	35,359	-	-	-
62,297	58,934	3,363	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,709	1,599	110	-	-	-
33,988	28,602	5,386	-	-	-
-	-	-	-	-	-
30,920	8,817	22,103	-	-	-
746	462	284	11,174	2,422	8,752
-	-	-	-	-	-
40,800	10,842	29,958	-	-	-
2,650	2,650	-	-	-	-
101,288	76,561	24,727	-	-	-
-	-	-	-	-	-
-	-	-	3,076,500	-	3,076,500
-	-	-	54,500	22,939	31,561
<u>365,712</u>	<u>244,422</u>	<u>121,290</u>	<u>3,142,174</u>	<u>25,361</u>	<u>3,116,813</u>
<u>(140,625)</u>	<u>(24,536)</u>	<u>116,089</u>	<u>(3,041,174)</u>	<u>98,975</u>	<u>3,140,149</u>
250	25,247	24,997	-	-	-
-	-	-	3,085,000	3,084,852	(148)
-	-	-	-	-	-
975	972	(3)	-	-	-
4,179	4,179	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(4,179)	(4,179)	-	-	-	-
<u>1,225</u>	<u>26,219</u>	<u>24,994</u>	<u>3,085,000</u>	<u>3,084,852</u>	<u>(148)</u>
(139,400)	1,683	141,083	43,826	3,183,827	3,140,001
217,493	217,493	-	-	-	-
1,152	1,152	-	-	-	-
<u>79,245</u>	<u>220,328</u>		<u>43,826</u>	<u>3,183,827</u>	

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	657,710	660,097	2,387
Interest	16,690	18,854	2,164
Tuition and Fees	-	-	-
Rent	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	-	-	-
Income Tax	-	-	-
Property & Other Local Taxes	67,800	64,470	(3,330)
Miscellaneous	-	-	-
Total Revenues	<u>742,200</u>	<u>743,421</u>	<u>1,221</u>
Expenditures:			
Current:			
Instruction:			
Regular	13,680	13,607	73
Special	13,110	2,762	10,348
Vocational	-	-	-
Adult/Continuing	-	-	-
Other	-	-	-
Support services:			
Pupils	-	-	-
Instructional Staff	-	-	-
Board of Education	-	-	-
Administration	10	7	3
Fiscal	2,990	1,552	1,438
Operation and Maintenance of Plant	37,500	-	37,500
Pupil Transportation	25,000	-	25,000
Central	17,000	17,000	-
Non-Instructional Services	-	-	-
Extracurricular activities	-	-	-
Capital Outlay	714,500	358,479	356,021
Debt Service:			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	<u>823,790</u>	<u>393,407</u>	<u>430,383</u>
Excess of Revenues Over (Under) Expenditures	<u>(81,590)</u>	<u>350,014</u>	<u>431,604</u>
Other Financing Sources and Uses:			
Operating Transfers In	-	-	-
Proceeds From the Sale of Bonds	-	-	-
Proceeds From the Sale Note	3,069,000	3,069,000	-
Refund of Prior Year Expenditures	-	-	-
Advances In	-	-	-
Operating Transfers Out	-	-	-
Refund of Prior Year Receipts	-	-	-
Advances Out	-	-	-
Total Other Financing Sources (Uses)	<u>3,069,000</u>	<u>3,069,000</u>	<u>-</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,987,410	3,419,014	431,604
Fund Balances at Beginning of Year	481,335	481,335	
Prior Year Encumbrances Appropriated	-	-	
Fund Balance at end of Year	<u>3,468,745</u>	<u>3,900,349</u>	

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

(Continued)

Fiduciary Fund Type			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
-	-	-	3,032,497	2,958,217	(74,280)
-	-	-	166,690	146,168	(20,522)
-	-	-	17,500	18,317	817
-	-	-	150	160	10
-	-	-	87,905	88,888	983
118,690	118,690	-	121,190	121,550	360
-	-	-	400,000	403,526	3,526
-	-	-	963,110	974,421	11,311
-	-	-	1,500	3,456	1,956
<u>118,690</u>	<u>118,690</u>	<u>-</u>	<u>4,790,542</u>	<u>4,714,703</u>	<u>(75,839)</u>
-	-	-	2,230,639	1,864,447	366,192
-	-	-	78,257	62,142	16,115
-	-	-	157,085	142,842	14,243
-	-	-	500	-	500
-	-	-	295,000	275,400	19,600
-	-	-	117,384	103,141	14,243
-	-	-	220,583	185,021	35,562
-	-	-	28,695	14,352	14,343
-	-	-	466,500	392,204	74,296
-	-	-	197,380	160,883	36,497
-	-	-	476,280	294,133	182,147
-	-	-	200,400	108,996	91,404
-	-	-	149,800	65,904	83,896
-	-	-	2,650	2,650	-
-	-	-	202,988	174,717	28,271
-	-	-	767,000	360,088	406,912
-	-	-	3,076,500	-	3,076,500
-	-	-	54,500	22,939	31,561
-	-	-	8,722,141	4,229,859	4,492,282
<u>118,690</u>	<u>118,690</u>	<u>-</u>	<u>(3,931,599)</u>	<u>484,844</u>	<u>4,416,443</u>
-	-	-	13,250	40,245	26,995
-	-	-	3,085,000	3,084,852	(148)
-	-	-	3,069,000	3,069,000	-
-	-	-	17,225	15,006	(2,219)
-	-	-	29,179	8,358	(20,821)
-	-	-	(150,000)	(50,515)	99,485
-	-	-	(250)	-	250
-	-	-	(29,179)	(8,358)	20,821
-	-	-	6,034,225	6,158,588	124,363
118,690	118,690	-	2,102,626	6,643,432	4,540,806
-	-	-	2,458,849	2,458,849	-
-	-	-	13,092	13,092	-
<u>118,690</u>	<u>118,690</u>	<u>-</u>	<u>4,574,567</u>	<u>9,115,373</u>	<u>-</u>

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$ 149,297
Total Operating Revenues	149,297
Operating Expenses:	
Salaries	60,179
Fringe Benefits	31,871
Purchased Services	8,143
Materials and Supplies	92,193
Depreciation	432
Total Operating Expenses	192,818
Operating Income (Loss)	(43,521)
Non-Operating Revenues and Expenses:	
Federal Donated Commodities	19,320
Interest	96
Federal and State Subsidies	27,295
Total Non-Operating Revenues and Expenses	46,711
Income Before Operating Transfers	3,190
Operating Transfers-In	10,000
Net Income	13,190
Retained Earnings at Beginning of Year	(63)
Retained Earnings at End of Year	\$ 13,127

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

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$ 149,216
Cash Payments to Suppliers for Goods and Service	(73,176)
Cash Payments for Contract Services	(8,143)
Cash Payments for Employee Services	(59,095)
Cash Payments for Employee Benefits	(32,164)
Net Cash Used by Operating Activities	(23,362)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	27,295
Transfers In	10,000
Net Cash Provided by Noncapital Financing Activities	37,295
Cash Flows from Investing Activities:	
Interest Received	96
Net Cash Provided by Investing Activities	96
Net Increase in Cash and Cash Equivalents	14,029
Cash and Cash Equivalents at Beginning of Year	24,149
Cash and Cash Equivalents at End of Year	38,178
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(43,521)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:	
Depreciation	432
Donated Commodities Used During the Year	19,320
(Increase) Decrease in Assets:	
Accounts Receivable	(81)
Material and Supplies Inventory	1,822
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	461
Intergovernmental Payable	(776)
Deferred Revenue	(2,184)
Accrued Wages and Benefits	1,106
Accounts Payable	59
Total Adjustments	20,159
Net Cash Provided (Used) by Operating Activities	\$ (23,362)

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Reporting Entity

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Holgate Local School District, this includes general operations, food service and student related activities of the District.

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

The School District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Holgate Community Library, the Northern Buckeye Education Council's Employee Insurance Benefit Program, and the Northern Buckeye Education Council (NBEC) Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13, 14, and 15 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below:

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

The enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust, and agency funds. The full accrual basis of accounting is followed by the enterprise fund.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, includes 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 period 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 included timing requirements, which specify the year when the revenue resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

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 the governmental funds.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

B. Fund Accounting

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

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

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

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

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

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

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

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

Fiduciary Funds - The funds used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

C. Budgetary Accounting

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

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board. The budget figures which appear in budgetary statements represent the final appropriation amounts, including all supplemental appropriations.
6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2002 follows:

Excess (Deficiency) of Revenues and Other Financing
Sources Over (Under) Expenditures and Other Uses
For the Year Ended June 30, 2002

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget basis	(\$79,782)	\$1,683	\$3,183,827	\$3,419,014	\$118,690
Revenue accruals	(24,194)	25,486	18,690	16,878	
Expenditure accruals	(1,272)	(21,733)	22,939	(26,746)	
Other Financing Sources (Uses)	(14,033)	(947)	(22,939)	(3,046,061)	
Encumbrances	33,392	6,668		271,276	
GAAP Basis	<u>(\$85,889)</u>	<u>\$11,157</u>	<u>\$3,202,517</u>	<u>\$634,361</u>	<u>\$118,690</u>

D. Encumbrances

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

E. Cash and Investments

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

During fiscal year 2002, investments were limited to STAR Ohio and certificates of deposit. The certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

F. Inventory

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

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

H. Interfund Transactions

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

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

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

J. Fund Balance Reserves

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

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

K. Total Columns on Financial Statements

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

L. Compensated Absences

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

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

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

M. Pass-through Grants

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

Deposits At year-end, the carrying amount of the School District's deposits was \$9,135,201 and the bank balance was \$9,177,594. Of the bank balance, \$700,000 was covered by federal depository insurance and \$8,477,594 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal regulations could potentially subject the District to a successful claim by the FDIC.

Investments The District's investments are categorized below to give an indication of the level of risk assumed by the entity at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes, uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasury, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The \$347,235 carrying value in the State Treasurer's Investment Pool (Star Ohio) approximated the fair value at June 30, 2002.

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$9,482,536	
Cash on Hand	(100)	
STAR Ohio	(347,235)	\$347,235
GASB Statement 3	\$9,135,201	\$347,235

4. PROPERTY TAXES

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

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

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

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

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

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

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

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

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

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

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2002. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2002.

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

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

5. FIXED ASSETS

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

Asset Category	Balance at 7/1/01	Additions	Disposals	Balance at 6/30/02
Land and improvements	\$248,793	\$22,890		\$271,683
Buildings	3,685,484			3,685,484
Furniture, fixtures, and equipment	1,520,488	30,379	\$6,316	1,544,551
Vehicles	417,960			417,960
Text & library books	337,413			337,413
Construction in progress	-	44,528		44,528
Totals	<u>\$6,210,138</u>	<u>\$97,797</u>	<u>\$6,316</u>	<u>\$6,301,619</u>

A summary of the Enterprise Fund fixed assets follows:

Asset Category	Balance at 6/30/02
Furniture, fixtures, and equipment	\$74,363
Less: Accumulated depreciation	(67,837)
Totals	<u>\$6,526</u>

6. NOTE PAYABLE

Note payable activity of the District for the year ended June 30, 2002 was as follows:

	Balance at 7/1/01	Additions	Deductions	Balance at 6/30/02
Bond Anticipation Note – 3.30%	-	\$3,069,000	-	\$3,069,000

These notes were retired in July 2002.

7. LONG-TERM OBLIGATIONS

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

	Balance at 7/1/01	Additions	Deductions	Balance at 6/30/02
School Construction Bonds		\$3,069,000		\$3,069,000
Pension Obligation	\$30,188	29,663	30,188	29,663
Compensated Absences	354,935		43,481	311,454
Total	<u>\$385,123</u>	<u>\$3,098,663</u>	<u>\$73,669</u>	<u>\$3,410,117</u>

School General Obligation Bonds - On April 15, 2002, the District issued \$3,069,000 in voted general obligation bonds for the purpose of constructing a new elementary and middle school under the State Classroom Facilities Program. The bonds will be retired from the debt service fund. The Bond issue consists of \$1,329,000 Serial Bonds with interest rates ranging from 2.25% to 4.7% and, \$1,740,000 Term Bonds ranging from 4.9% to 6.0%.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

The District's voted legal debt margin was \$136,601 with an unvoted debt margin of \$35,618 at June 30, 2002. Principal and interest requirements to retire general obligation bonds at June 30, 2002 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$54,000	\$96,248	\$150,248
2004	65,000	152,100	217,100
2005	65,000	150,410	215,410
2006	70,000	148,427	218,427
2007	80,000	145,978	225,978
Thereafter	2,735,000	1,676,275	4,411,275
Total	<u>\$3,069,000</u>	<u>\$2,369,438</u>	<u>\$5,438,438</u>

8. COMPENSATED ABSENCES

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

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

At June 30, 2002 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$18,979 and \$311,454 respectively. The liability for compensated absences in the proprietary funds at June 30, 2002 was \$4,261.

9. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$83,425, \$74,416, and \$66,704, respectively; 57% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$36,012 representing unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

B. State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002, were 9.3% of covered payroll for members and 14% for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$305,356, \$273,077, and \$258,883, respectively; 86% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$42,348 representing unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

10. POSTEMPLOYMENT BENEFITS

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

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate is 9.80%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million. The number of participants currently receiving health care benefits is approximately 50,000.

11. RISK MANAGEMENT

A. Comprehensive

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

B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

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

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

12. ENTERPRISE FUNDS SEGMENT INFORMATION

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

	Lunchroom/ Cafeteria	Uniform School Supply	Total Enterprise Funds
Operating revenues	\$138,440	\$10,857	\$149,297
Depreciation	432		432
Operating Income (Loss)	(45,205)	1,684	(43,521)
Donated commodities	19,320		19,320
Grants	27,295		27,295
Interest	96		96
Operating Transfers In	10,000		10,000
Net Income	11,506	1,684	13,190
Net working capital	2,324	4,277	6,601
Total assets	36,329	11,777	48,106
Total liabilities	27,479	7,500	34,979
Total equity	8,850	4,277	13,127

13. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$7,092. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during fiscal years ending June 30, 2002 were \$2,750. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

C. Four County Career Center

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

14. GROUP PURCHASING POOLS

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

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during fiscal year ending June 30, 2002 were \$305,900. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover costs of administering the program. During fiscal year ending June 30, 2002, the District paid an enrollment fee of \$424 to WCGRP to cover costs of administering the program.

15. RELATED ORGANIZATION

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

16. SCHOOL DISTRICT INCOME TAX

In 1991, the voters of the Holgate Local School District passed a 1% school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2002, the District recorded income tax revenue of \$403,911 in the General Fund.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

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

17. SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding system is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2001	\$103,798	\$1,200
Current Year Set-aside Requirement	61,302	61,302
Permanent Improvement Levy		(59,685)
Qualifying Disbursements	(84,465)	(73,851)
Total	\$80,635	(\$71,034)
Balance Carried to FY2003	\$80,635	

19. CONTINGENCIES

A. Grants

The 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 are 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 District at June 30, 2002.

B. Litigation

The District is not currently party to legal proceedings.

20. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2002, the District had entered into various contracts for the design and construction of a new elementary and middle school under which it had a remaining unperformed and unpaid total commitment of approximately \$2,719,000.

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HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,526,333	223,572	68,883	4,907,366
Cash and Cash Equivalents:				
With Fiscal Agents	-	30	-	-
Receivables:				
Taxes	874,332	19,214	242,104	60,214
Intergovernmental	-	28,598	-	11,081,281
Accrued Interest	18,979	-	-	45,650
Interfund Receivable	7,500	-	-	-
Income Tax	147,208	-	-	-
Materials and Supplies Inventory	8,558	-	-	-
Prepaid Items	11,015	-	-	-
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	86,602	-	-	-
Fixed Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations	-	-	-	-
Amount to be Provided From General Government Resources	-	-	-	-
Total Assets and Other Debits	<u>2,680,527</u>	<u>271,414</u>	<u>310,987</u>	<u>16,094,511</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	383	-	-	651
Contracts Payable	-	-	-	39,605
Accrued Wages and Benefits	375,613	13,566	-	-
Compensated Absences Payable	21,040	-	-	-
Interfund Payable	-	-	-	-
Intergovernmental Payable	58,991	419	-	-
Deferred Revenue	848,838	36,027	225,794	11,180,446
Undistributed Monies	-	-	-	-
Due to Students	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	<u>1,304,865</u>	<u>50,012</u>	<u>225,794</u>	<u>11,220,702</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved:				
Reserved for Encumbrances	1,906	7,798	-	6,949
Reserved for Inventory	8,558	-	-	-
Reserved for Prepaid Items	11,015	-	-	-
Reserved for Debt Service Principal	-	-	68,883	-
Reserved for Property Taxes	69,911	1,454	16,310	6,625
Reserved for Textbooks & Instructional Materials	86,602	-	-	-
Unreserved:				
Unreserved, Undesignated	1,197,670	212,150	-	4,860,235
Total Fund Equity and Other Credits	<u>1,375,662</u>	<u>221,402</u>	<u>85,193</u>	<u>4,873,809</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 2,680,527</u>	<u>271,414</u>	<u>310,987</u>	<u>16,094,511</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
37,265	142,329	-	-	6,905,748
-	-	-	-	30
-	-	-	-	1,195,864
-	-	-	-	11,109,879
-	-	-	-	64,629
-	-	-	-	7,500
-	-	-	-	147,208
579	-	-	-	9,137
-	-	-	-	11,015
-	-	-	-	86,602
74,363	-	6,983,939	-	7,058,302
(68,269)	-	-	-	(68,269)
-	-	-	85,193	85,193
-	-	-	3,276,329	3,276,329
<u>43,938</u>	<u>142,329</u>	<u>6,983,939</u>	<u>3,361,522</u>	<u>29,889,167</u>
-	769	-	-	1,803
-	-	-	-	39,605
11,361	-	-	-	400,540
5,331	-	-	320,880	347,251
7,500	-	-	-	7,500
10,715	-	-	25,642	95,767
-	-	-	-	12,291,105
-	826	-	-	826
-	18,312	-	-	18,312
-	-	-	3,015,000	3,015,000
<u>34,907</u>	<u>19,907</u>	<u>-</u>	<u>3,361,522</u>	<u>16,217,709</u>
-	-	6,983,939	-	6,983,939
9,031	-	-	-	9,031
-	-	-	-	16,653
-	-	-	-	8,558
-	-	-	-	11,015
-	-	-	-	68,883
-	-	-	-	94,300
-	-	-	-	86,602
-	122,422	-	-	6,392,477
<u>9,031</u>	<u>122,422</u>	<u>6,983,939</u>	<u>-</u>	<u>13,671,458</u>
<u>43,938</u>	<u>142,329</u>	<u>6,983,939</u>	<u>3,361,522</u>	<u>29,889,167</u>

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$ 2,183,236	180,440
Interest	65,596	-
Tuition and Fees	88,786	-
Extracurricular Activities	-	84,964
Gifts and Donations	7,702	-
Income Tax	380,467	-
Property & Other Local Taxes	726,795	16,965
Miscellaneous	11,433	3
Total Revenues	3,464,015	282,372
Expenditures:		
Instruction:		
Regular	1,804,651	40,591
Special	3,407	100,012
Vocational	147,881	-
Other	19,066	-
Support services:		
Pupils	414,576	28,880
Instructional Staff	159,738	11,931
Board of Education	17,839	-
Administration	349,667	7,254
Fiscal	138,481	552
Operation and Maintenance of Plant	289,460	-
Pupil Transportation	112,469	-
Central	31,522	33,757
Extracurricular activities	130,797	59,058
Capital Outlay	-	-
Debt Service:		
Debt Service - Principal	-	-
Debt Service - Interest	-	-
Total Expenditures	3,619,554	282,035
Excess of Revenues Over (Under) Expenditures	(155,539)	337
Other Financing Sources and Uses		
Operating Transfers In	-	-
Operating Transfers Out	-	-
Total Other Financing Sources (Uses)	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(155,539)	337
Fund Balance at Beginning of Year	1,531,201	221,065
Fund Balance at End of Year	\$ 1,375,662	221,402

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
23,792	1,287,493	-	3,674,961
-	67,438	3,732	136,766
-	-	-	88,786
-	-	-	84,964
-	-	-	7,702
-	-	-	380,467
190,119	69,537	-	1,003,416
-	-	-	11,436
<u>213,911</u>	<u>1,424,468</u>	<u>3,732</u>	<u>5,388,498</u>
-	73	-	1,845,315
-	9,099	-	112,518
-	-	-	147,881
-	-	-	19,066
-	-	-	443,456
-	-	-	171,669
-	-	-	17,839
-	-	-	356,921
4,862	969	-	144,864
-	835	-	290,295
-	-	-	112,469
-	-	-	65,279
-	-	-	189,855
-	734,457	-	734,457
54,000	-	-	54,000
187,199	16,174	-	203,373
<u>246,061</u>	<u>761,607</u>	<u>-</u>	<u>4,909,257</u>
<u>(32,150)</u>	<u>662,861</u>	<u>3,732</u>	<u>479,241</u>
-	3,090,379	-	3,090,379
(3,085,174)	(5,205)	-	(3,090,379)
<u>(3,085,174)</u>	<u>3,085,174</u>	<u>-</u>	<u>-</u>
(3,117,324)	3,748,035	3,732	479,241
3,202,517	1,125,774	118,690	6,199,247
<u>85,193</u>	<u>4,873,809</u>	<u>122,422</u>	<u>6,678,488</u>

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 2,201,642	2,070,147	(131,495)
Interest	65,000	80,987	15,987
Tuition and Fees	18,300	88,786	70,486
Rent	150	86	(64)
Extracurricular Activities	-	-	-
Gifts and Donations	8,929	7,702	(1,227)
Income Tax	403,000	392,797	(10,203)
Property & Other Local Taxes	835,300	735,782	(99,518)
Miscellaneous	3,500	(428)	(3,928)
Total Revenues	3,535,821	3,375,859	(159,962)
Expenditures:			
Current:			
Instruction:			
Regular	1,849,175	1,785,935	63,240
Special	4,202	3,312	890
Vocational	151,734	148,000	3,734
Other	26,918	19,066	7,852
Support services:			
Pupils	374,043	295,254	78,789
Instructional Staff	171,322	161,365	9,957
Board of Education	20,844	19,419	1,425
Administration	383,299	359,132	24,167
Fiscal	176,215	159,289	16,926
Operation and Maintenance of Plant	311,567	292,520	19,047
Pupil Transportation	141,377	111,635	29,742
Central	43,710	31,619	12,091
Non-Instructional Services	-	-	-
Extracurricular activities	116,432	115,690	742
Capital Outlay	-	-	-
Debt Service:			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	3,770,838	3,502,236	268,602
Excess of Revenues Over (Under) Expenditures	(235,017)	(126,377)	108,640
Other Financing Sources and Uses			
Operating Transfers In	-	-	-
Refund of Prior Year Expenditures	10,000	11,775	1,775
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	10,000	11,775	1,775
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(225,017)	(114,602)	110,415
Fund Balances at Beginning of Year	1,692,179	1,692,179	
Prior Year Encumbrances Appropriated	33,392	33,392	
Fund Balance at end of Year	\$ 1,500,554	1,610,969	110,415

The notes to the general-purpose financial statements are an integral part of this statement

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
200,915	116,546	(84,369)	27,750	23,792	(3,958)
-	-	-	-	-	-
-	-	-	-	-	-
88,435	84,964	(3,471)	-	-	-
-	-	-	-	-	-
25,000	15,511	(9,489)	194,250	192,499	(1,751)
-	1	1	-	-	-
<u>314,350</u>	<u>217,022</u>	<u>(97,328)</u>	<u>222,000</u>	<u>216,291</u>	<u>(5,709)</u>
129,341	41,294	88,047	-	-	-
78,382	69,091	9,291	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(690)	(690)	-	-	-	-
60,133	11,422	48,711	-	-	-
-	-	-	-	-	-
8,400	8,366	34	-	-	-
820	550	270	5,000	4,862	138
-	-	-	-	-	-
50	-	50	-	-	-
35,030	33,757	1,273	-	-	-
-	-	-	-	-	-
93,877	64,628	29,249	-	-	-
-	-	-	-	-	-
-	-	-	3,139,175	3,139,174	1
-	-	-	187,200	187,199	1
<u>405,343</u>	<u>228,418</u>	<u>176,925</u>	<u>3,331,375</u>	<u>3,331,235</u>	<u>140</u>
<u>(90,993)</u>	<u>(11,396)</u>	<u>79,597</u>	<u>(3,109,375)</u>	<u>(3,114,944)</u>	<u>(5,569)</u>
-	2	2	-	-	-
950	173	(777)	-	-	-
-	-	-	-	-	-
<u>950</u>	<u>175</u>	<u>(775)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(90,043)	(11,221)	78,822	(3,109,375)	(3,114,944)	(5,569)
220,328	220,328	-	3,183,827	3,183,827	-
6,668	6,668	-	-	-	-
<u>136,953</u>	<u>215,775</u>	<u>78,822</u>	<u>74,452</u>	<u>68,883</u>	<u>(5,569)</u>

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	4,101,896	1,306,183	(2,795,713)
Interest	117,000	59,929	(57,071)
Tuition and Fees	-	-	-
Rent	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	-	-	-
Income Tax	-	-	-
Property & Other Local Taxes	54,000	53,389	(611)
Miscellaneous	-	-	-
Total Revenues	4,272,896	1,419,501	(2,853,395)
Expenditures:			
Current:			
Instruction:			
Regular	73	73	-
Special	11,548	11,548	-
Vocational	-	-	-
Other	-	-	-
Support services:			
Pupils	-	-	-
Instructional Staff	-	-	-
Board of Education	-	-	-
Administration	10	-	10
Fiscal	1,400	969	431
Operation and Maintenance of Plant	5,000	835	4,165
Pupil Transportation	21,251	-	21,251
Central	-	-	-
Non-Instructional Services	-	-	-
Extracurricular activities	-	-	-
Capital Outlay	4,271,968	702,525	3,569,443
Debt Service:			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	4,311,250	715,950	3,595,300
Excess of Revenues Over (Under) Expenditures	(38,354)	703,551	741,905
Other Financing Sources and Uses			
Operating Transfers In	-	5,205	5,205
Refund of Prior Year Expenditures	-	-	-
Operating Transfers Out	(5,205)	(5,205)	-
Total Other Financing Sources (Uses)	(5,205)	-	5,205
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(43,559)	703,551	747,110
Fund Balances at Beginning of Year	3,900,349	3,900,349	
Prior Year Encumbrances Appropriated	271,275	271,275	
Fund Balance at end of Year	4,128,065	4,875,175	747,110

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

(Continued)

Fiduciary Fund Type			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
-	-	-	6,532,203	3,516,668	(3,015,535)
3,500	3,732	232	185,500	144,648	(40,852)
-	-	-	18,300	88,786	70,486
-	-	-	150	86	(64)
-	-	-	88,435	84,964	(3,471)
-	-	-	8,929	7,702	(1,227)
-	-	-	403,000	392,797	(10,203)
-	-	-	1,108,550	997,181	(111,369)
-	-	-	3,500	(427)	(3,927)
<u>3,500</u>	<u>3,732</u>	<u>232</u>	<u>8,348,567</u>	<u>5,232,405</u>	<u>(3,116,162)</u>
-	-	-	1,978,589	1,827,302	151,287
-	-	-	94,132	83,951	10,181
-	-	-	151,734	148,000	3,734
-	-	-	26,918	19,066	7,852
-	-	-	373,353	294,564	78,789
-	-	-	231,455	172,787	58,668
-	-	-	20,844	19,419	1,425
-	-	-	391,709	367,498	24,211
-	-	-	183,435	165,670	17,765
-	-	-	316,567	293,355	23,212
-	-	-	162,678	111,635	51,043
-	-	-	78,740	65,376	13,364
-	-	-	-	-	-
-	-	-	210,309	180,318	29,991
-	-	-	4,271,968	702,525	3,569,443
-	-	-	3,139,175	3,139,174	1
-	-	-	187,200	187,199	1
-	-	-	11,818,806	7,777,839	4,040,967
<u>3,500</u>	<u>3,732</u>	<u>232</u>	<u>(3,470,239)</u>	<u>(2,545,434)</u>	<u>924,805</u>
-	-	-	-	5,207	5,207
-	-	-	10,950	11,948	998
-	-	-	(5,205)	(5,205)	-
-	-	-	5,745	11,950	6,205
3,500	3,732	232	(3,464,494)	(2,533,484)	931,010
118,690	118,690		9,115,373	9,115,373	
-	-		311,335	311,335	
<u>122,190</u>	<u>122,422</u>	<u>232</u>	<u>5,962,214</u>	<u>6,893,224</u>	<u>931,010</u>

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$ 142,782
Total Operating Revenues	142,782
Operating Expenses	
Salaries	63,127
Fringe Benefits	34,260
Purchased Services	9,366
Materials and Supplies	92,116
Depreciation	432
Other	35
Total Operating Expenses	199,336
Operating Income (Loss)	(56,554)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	21,513
Interest	404
Federal and State Subsidies	30,541
Total Non-Operating Revenues and Expenses	52,458
Net Income (Loss)	(4,096)
Retained Earnings at Beginning of Year	13,127
Retained Earnings at End of Year	\$ 9,031

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

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$ 142,863
Cash Payments to Suppliers for Goods and Service	(70,324)
Cash Payments for Contract Services	(9,366)
Cash Payments for Employee Services	(61,961)
Cash Payments for Employee Benefits	(33,035)
Other Cash Payments	(35)
Net Cash Used by Operating Activities	(31,858)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	30,541
Net Cash Provided by Noncapital Financing Activities	30,541
Cash Flows from Investing Activities:	
Interest Received	404
Net Cash Provided by Investing Activities	404
Net Increase (Decrease) in Cash and Cash Equivalents	(913)
Cash and Cash Equivalents at Beginning of Year	38,178
Cash and Cash Equivalents at End of Year	37,265
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(56,554)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:	
Depreciation	432
Donated Commodities Used During the Year	21,513
(Increase) Decrease in Assets:	
Accounts Receivable	81
Material and Supplies Inventory	2,742
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	1,070
Intergovernmental Payable	2,567
Deferred Revenue	(2,404)
Accrued Wages and Benefits	(1,246)
Accounts Payable	(59)
Total Adjustments	24,696
Net Cash Provided (Used) by Operating Activities	\$ (31,858)

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Reporting Entity

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Holgate Local School District, this includes general operations, food service and student related activities of the District.

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

The School District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Holgate Community Library, the Northern Buckeye Education Council's Employee Insurance Benefit Program, and the Northern Buckeye Education Council (NBEC) Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13, 14, and 15 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below:

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

The enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust, and agency funds. The full accrual basis of accounting is followed by the enterprise fund.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, includes 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 period 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 included timing requirements, which specify the year when the revenue resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 the governmental funds.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

B. Fund Accounting

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

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

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

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

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

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

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

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

Fiduciary Funds - The funds used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

C. Budgetary Accounting

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

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board. The budget figures which appear in budgetary statements represent the final appropriation amounts, including all supplemental appropriations.
6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2003 follows:

**Excess (Deficiency) of Revenues and Other Financing
Sources Over (Under) Expenditures and Other Uses
For the Year Ended June 30, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget basis	(\$114,602)	(\$11,221)	(\$3,114,944)	\$703,551	\$3,732
Revenue accruals	(36,708)	65,348	(2,380)	4,966	
Expenditure accruals	(6,195)	(61,414)	3,085,174	(52,605)	
Other Financing Sources (Uses)		(173)	(3,085,174)	3,085,174	
Encumbrances	1,966	7,797		6,949	
GAAP Basis	<u>(\$155,539)</u>	<u>\$337</u>	<u>(\$3,117,324)</u>	<u>\$3,748,035</u>	<u>\$3,732</u>

D. Encumbrances

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

E. Cash and Investments

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

During fiscal year 2003, investments were limited to STAR Ohio and certificate of deposits.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

F. Inventory

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

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

H. Interfund Transactions

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

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

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

J. Fund Balance Reserves

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

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

K. Total Columns on Financial Statements

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

L. Compensated Absences

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

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

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

M. Pass-through Grants

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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

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

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

Deposits At year-end, the carrying amount of the School District's deposits was \$6,740,995 and the bank balance was \$6,783,238. Of the bank balance, \$600,000 was covered by federal depository insurance and \$6,183,238 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal regulations could potentially subject the District to a successful claim by the FDIC.

Investments The District's investments are categorized below to give an indication of the level of risk assumed by the entity at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes, uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasury, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The \$251,285 carrying value in the State Treasurer's Investment Pool (Star Ohio) approximated the fair value at June 30, 2003.

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$6,992,380	
Cash on Hand	(100)	
STAR Ohio	(251,285)	\$251,285
GASB Statement 3	\$6,740,995	\$251,285

4. PROPERTY TAXES

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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

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

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

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

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

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

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

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

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

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2003. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2003.

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

	<u>Amount</u>
Residential/Agricultural	\$30,165,560
Commercial/Industrial	1,202,510
Public Utility	3,389,130
General Personal Property	848,835
Total valuation	<u><u>\$35,606,035</u></u>

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

5. FIXED ASSETS

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

<u>Asset Category</u>	<u>Balance at 7/1/02</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/03</u>
Land and improvements	\$271,683	210,000		\$481,683
Buildings	3,685,484			3,685,484
Furniture, fixtures, and equipment	1,544,551			1,544,551
Vehicles	417,960			417,960
Text & library books	337,413			337,413
Construction in progress	44,528	472,320		516,848
Totals	<u>\$6,301,619</u>	<u>\$682,320</u>		<u>\$6,983,939</u>

A summary of the Enterprise Fund fixed assets follows:

<u>Asset Category</u>	<u>Balance at 6/30/03</u>
Furniture, fixtures, and Equipment	\$74,363
Less: Accumulated Depreciation	68,269
Totals	<u>\$6,094</u>

6. NOTE PAYABLE

Note payable activity of the District for the year ended June 30, 2003 was as follows:

	<u>Balance at 7/1/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/03</u>
Bond Anticipation Note – 3.30%	\$3,069,000	-	\$3,069,000	-

7. LONG-TERM OBLIGATIONS

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

	<u>Balance at 7/1/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/03</u>
School Construction Bonds	\$3,069,000		\$54,000	\$3,015,000
Pension Obligation	29,663	25,642	29,663	25,642
Compensated Absences	311,454	\$9,426		320,880
Total	<u>\$3,410,117</u>	<u>\$35,068</u>	<u>\$83,663</u>	<u>\$3,361,522</u>

School General Obligation Bonds - On April 15, 2002, the District issued \$3,069,000 in voted general obligation bonds for the purpose of constructing a new elementary and middle school under the State Classroom Facilities Program. The bonds will be retired from the debt service fund. The Bond issue consists of \$1,329,000 Serial Bonds with interest rates ranging from 2.60% to 4.7% and, \$1,740,000 Term Bonds ranging from 4.9% to 6.0%.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The District's voted legal debt margin was \$189,543 with an unvoted debt margin of \$35,606 at June 30, 2003.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

Principal and interest requirements to retire general obligation debt at June 30, 2003 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$65,000	\$152,100	\$217,100
2005	65,000	150,410	215,410
2006	70,000	148,427	218,427
2007	80,000	145,978	225,978
2008	85,000	142,937	227,937
2009-2013	530,000	654,723	1,184,723
2014-2018	650,000	522,627	1,172,627
2019-2023	965,000	315,563	1,280,563
2024-2025	505,000	82,163	587,163
Total	<u>\$3,015,000</u>	<u>\$2,314,928</u>	<u>\$5,329,928</u>

8. COMPENSATED ABSENCES

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 49 days.

At June 30, 2003 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$21,040 and \$320,880 respectively. The liability for compensated absences in the proprietary funds at June 30, 2003 was \$5,331.

9. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$78,872, \$83,425, and \$74,416, respectively; 51% has been contributed for fiscal year 2003 and 100% for fiscal years 2002 and 2001. \$38,868 representing unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds and the general long-term obligations account.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

B. State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2003, were 9.3% of covered payroll for members and 14% for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$291,653, \$305,356, and \$273,077, respectively; 85% has been contributed for fiscal year 2003 and 100% for fiscal years 2002 and 2001. \$42,764 representing unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

10. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5% of covered payroll to Health Care Stabilization Fund. Effective July 1, 2002, 1% of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002.

For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.54%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million.

The number of participants currently receiving health care benefits is approximately 50,000.

11. RISK MANAGEMENT

A. Comprehensive

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

B. Employee Insurance Benefits Program

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

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

C. Workers' Compensation Group Program

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

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

12. ENTERPRISE FUNDS SEGMENT INFORMATION

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

	Lunchroom/ Cafeteria	Uniform School Supply	Total Enterprise Funds
Operating revenues	\$134,294	\$8,488	\$142,782
Depreciation	432		432
Operating Income (Loss)	(55,007)	(1,547)	(56,554)
Donated commodities	21,513		21,513
Grants	30,541		30,541
Interest	404		404
Net Income (Loss)	(2,549)	(1,547)	(4,096)
Net working capital	3,803	2,730	6,533
Total assets	33,708	10,230	43,938
Total liabilities	27,407	7,500	34,907
Total equity	6,301	2,730	9,031

13. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$75,304. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during fiscal years ending June 30, 2003 were \$2,750. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

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

14. GROUP PURCHASING POOLS

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

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during fiscal year ending June 30, 2003 were \$353,239. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover costs of administering the program. During fiscal year ending June 30, 2003, the District paid an enrollment fee of \$424 to WCGRP to cover costs of administering the program.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

15. RELATED ORGANIZATION

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

16. SCHOOL DISTRICT INCOME TAX

In 1991, the voters of the Holgate Local School District passed a 1% school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2003, the District recorded income tax revenue of \$380,467 in the General Fund.

17. SCHOOL FUNDING DECISION

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

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

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2002	\$80,635	
Current Year Set-aside Requirement	67,831	\$67,831
Permanent Improvement Levy		(63,014)
Qualifying Disbursements	(61,864)	(42,181)
Total	\$86,602	(\$37,364)
Balance Carried to FY 2004	\$86,602	

During 2003, the District used the reserve in accordance with the guidelines established by Senate Bill 345.

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

19. CONTINGENCIES

A. Grants

The 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 are 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 District at June 30, 2003.

B. Litigation

The District is not currently party to legal proceedings.

20. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2003, the District had entered into various contracts for the design and construction of a new elementary and middle school under which it had a remaining unperformed and unpaid total commitment of approximately \$2,377,000.

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

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

To the Board of Education
Holgate Local School District:

We have audited the general purpose financial statements of Holgate Local School District, as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated December 5, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 5, 2003



**Auditor of State
Betty Montgomery**

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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 3, 2004**