



Dave Yost • Auditor of State

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) and Actual – General Fund	19
Statement of Fund Net Position – Enterprise Fund	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Fund.....	21
Statement of Cash Flows - Enterprise Fund	22
Statement of Fiduciary Net Position - Fiduciary Funds.....	23
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund	24
Notes to the Basic Financial Statements	25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Holgate Local School District
Henry County
801 East Joe E. Brown Avenue
Holgate, Ohio 43527-9802

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Holgate Local School District, Henry County, Ohio, as of June 30, 2014, and the respective changes in financial position and, the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 15, 2016

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Holgate Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2014 are as follows:

In total, net position decreased \$57,662, or less than 1 percent, from the prior fiscal year.

General revenues accounted for 77 percent of total revenues and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted state entitlements.

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

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

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

Reporting the School District's Most Significant Funds

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

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

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

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

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 and fiscal year 2013.

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
<u>Assets</u>						
Current and Other Assets	\$5,133,262	\$4,939,697	\$1,455	\$0	\$5,134,717	\$4,939,697
Capital Assets, Net	19,905,356	20,365,929	0	0	19,905,356	20,365,929
Total Assets	<u>25,038,618</u>	<u>25,305,626</u>	<u>1,455</u>	<u>0</u>	<u>25,040,073</u>	<u>25,305,626</u>
<u>Liabilities</u>						
Current and Other Liabilities	520,341	542,151	0	0	520,341	542,151
Long-Term Liabilities	3,971,894	4,128,577	0	0	3,971,894	4,128,577
Total Liabilities	<u>4,492,235</u>	<u>4,670,728</u>	<u>0</u>	<u>0</u>	<u>4,492,235</u>	<u>4,670,728</u>
<u>Deferred Inflows of Resources</u>						
	1,206,346	1,235,744	0	0	1,206,346	1,235,744
<u>Net Position</u>						
Net Investment in Capital Assets	16,190,356	16,476,929	0	0	16,190,356	16,476,929
Restricted	1,066,231	1,012,538	0	0	1,066,231	1,012,538
Unrestricted	2,083,450	1,909,687	1,455	0	2,084,905	1,909,687
Total Position	<u>\$19,340,037</u>	<u>\$19,399,154</u>	<u>\$1,455</u>	<u>\$0</u>	<u>\$19,341,492</u>	<u>\$19,399,154</u>

As noted previously, the overall change in net position was less than 1 percent and the above table reflects that there were no changes of significance for either governmental or business-type activities.

Table 2 reflects the change in net position for fiscal year 2014 and fiscal year 2013.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$818,942	\$683,820	\$6,226	\$3,081	\$825,168	\$686,901
Operating Grants and Contributions	684,403	642,754	0	0	684,403	642,754
Capital Grants and Contributions	1,299	0	0	0	1,299	0
Total Program Revenues	<u>1,504,644</u>	<u>1,326,574</u>	<u>6,226</u>	<u>3,081</u>	<u>1,510,870</u>	<u>1,329,655</u>

(continued)

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
<u>Revenues (continued)</u>						
General Revenues						
Property Taxes Levied for General Purposes	\$1,091,132	\$1,070,394	\$0	\$0	\$1,091,132	\$1,070,394
Property Taxes Levied for Classroom Facilities Purposes	17,652	16,505	0	0	17,652	16,505
Property Taxes Levied for Debt Service Purposes	308,686	365,337	0	0	308,686	365,337
Property Taxes Levied for Permanent Improvements	58,701	54,695	0	0	58,701	54,695
Income Taxes	752,336	729,691	0	0	752,336	729,691
Grants and Entitlements	2,730,338	2,595,761	0	0	2,730,338	2,595,761
Interest	6,426	8,684	0	0	6,426	8,684
Gifts and Donations	4,500	3,500	0	0	4,500	3,500
Miscellaneous	94,798	48,049	0	0	94,798	48,049
Total General Revenues	<u>5,064,569</u>	<u>4,892,616</u>	<u>0</u>	<u>0</u>	<u>5,064,569</u>	<u>4,892,616</u>
Total Revenues	<u>6,569,213</u>	<u>6,219,190</u>	<u>6,226</u>	<u>3,081</u>	<u>6,575,439</u>	<u>6,222,271</u>
<u>Expenses</u>						
Instruction:						
Regular	2,851,594	2,843,490	0	0	2,851,594	2,843,490
Special	682,935	587,376	0	0	682,935	587,376
Vocational	71,205	121,987	0	0	71,205	121,987
Support Services:						
Pupils	292,631	274,319	0	0	292,631	274,319
Instructional Staff	263,992	251,112	0	0	263,992	251,112
Board of Education	12,362	11,740	0	0	12,362	11,740
Administration	518,610	491,008	0	0	518,610	491,008
Fiscal	240,354	226,026	0	0	240,354	226,026
Business	6,583	8,065	0	0	6,583	8,065
Operation of Maintenance of Plant	512,747	478,916	0	0	512,747	478,916
Pupil Transportation	251,283	240,452	0	0	251,283	240,452
Central	157,814	85,504	0	0	157,814	85,504
Non-Instructional Services	288,259	266,742	0	0	288,259	266,742
Extracurricular Activities	295,199	276,580	0	0	295,199	276,580
Interest and Fiscal Charges	182,762	187,317	0	0	182,762	187,317
Latchkey	0	0	4,771	4,650	4,771	4,650
Total Expenses	<u>6,628,330</u>	<u>6,350,634</u>	<u>4,771</u>	<u>4,650</u>	<u>6,633,101</u>	<u>6,355,284</u>
Increase (Decrease) in Net Position before Transfers	(59,117)	(131,444)	1,455	(1,569)	(57,662)	(133,013)
Transfers	0	(267)	0	267	0	0
Increase (Decrease) in Net Position	(59,117)	(131,711)	1,455	(1,302)	(57,662)	(133,013)
Net Position at Beginning of Year	19,399,154	19,530,865	0	1,302	19,399,154	19,532,167
Net Position at End of Year	<u>\$19,340,037</u>	<u>\$19,399,154</u>	<u>\$1,455</u>	<u>\$0</u>	<u>\$19,341,492</u>	<u>\$19,399,154</u>

For governmental activities, there was a 13 percent increase in program revenues, largely due to additional tuition and fees and an increase in operating grants and contributions from resources from the Straight A grant as well as additional State foundation resources due to an adjustment in the funding formula calculation. General revenues were similar to the prior fiscal year with the exception of unrestricted grants and entitlements, also due to the funding formula change for State foundation resources.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental activities expenses also remained fairly similar to the prior fiscal year. Increases can be attributed to salary increases and additional IT services. The major program expense for governmental activities, as expected, continues to be for instruction, which accounts for 54 percent of all governmental expenses. However, note that other programs significantly contribute to the instruction program such as pupils, instructional staff, and pupil transportation.

The business-type activity represents the activity of the Latchkey program (afterschool activities).

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction:				
Regular	\$2,851,594	\$2,843,490	\$2,156,630	\$2,359,104
Special	682,935	587,376	373,607	175,838
Vocational	71,205	121,987	35,332	88,834
Support Services:				
Pupils	292,631	274,319	291,746	273,339
Instructional Staff	263,992	251,112	263,992	251,112
Board of Education	12,362	11,740	12,362	11,740
Administration	518,610	491,008	518,610	491,008
Fiscal	240,354	226,026	140,166	158,847
Business	6,583	8,065	6,583	8,065
Operation and Maintenance of Plant	512,747	478,916	512,747	478,916
Pupil Transportation	251,283	240,452	250,747	240,011
Central	157,814	85,504	154,214	81,904
Non-Instructional Services	288,259	266,742	34,859	20,304
Extracurricular Activities	295,199	276,580	189,329	197,721
Interest and Fiscal Charges	182,762	187,317	182,762	187,317
Total Expenses	<u>\$6,628,330</u>	<u>\$6,350,634</u>	<u>\$5,123,686</u>	<u>\$5,024,060</u>

The above table demonstrates that the dependence on tax revenues and unrestricted state entitlements is considerable with 77 percent of all programs supported by these revenue sources. Approximately 71 percent of instruction activities are supported through taxes and other general revenues. Several programs, however, receive substantial support through program revenues. Approximately 45 percent of special instruction costs are provided for through program revenues. This is the result of various grants restricted for special instruction purposes. Almost all of the non-instructional services costs are covered by program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Approximately 36 percent of extracurricular activities expenses were covered by program revenues. These program revenues are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Funds Financial Analysis

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund increased almost 9 percent, generally due to modest increases in property taxes, income taxes, State foundation resources, and tuition. Expenditures increased approximately 3 percent and primarily related to salary increases.

The increase in fund balance in the Bond Retirement fund was due to taxes collected being more than the debt principal and interest requirements for the fiscal year.

Business-Type Activity Financial Analysis

The School District's business-type activity is the Latchkey program which provides for afterschool activities. For fiscal year 2014, this activity had a slight operating gain.

General Fund Budgeting Highlights

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

During fiscal year 2014, the School District amended its General Fund budget as needed. For revenues, changes from both the original budget to the final budget and from the final budget to actual revenues were not significant. The same is true for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$19,905,356 invested in capital assets (net of accumulated depreciation). The most significant addition for the fiscal year was a school bus. For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

Debt

The School District's outstanding debt at fiscal year end included long-term loans, in the amount of \$1,715,000, and general obligation bonds, in the amount of \$2,000,000. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

Current Issues

While the School District's current five-year forecast reflects positive balances for fiscal years 2015 through 2018, the School District will be deficit spending throughout this period with a deficit balance currently projected for fiscal year 2019.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

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

Contacting the School District's Financial Management

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

This page intentionally left blank

Holgate Local School District
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,221,988	\$1,455	\$3,223,443
Accounts Receivable	6,891	0	6,891
Accrued Interest Receivable	1,792	0	1,792
Intergovernmental Receivable	75,581	0	75,581
Inventory Held for Resale	2,663	0	2,663
Materials and Supplies Inventory	12,514	0	12,514
Property Taxes Receivable	1,515,607	0	1,515,607
Income Taxes Receivable	296,226	0	296,226
Nondepreciable Capital Assets	448,987	0	448,987
Depreciable Capital Assets, Net	19,456,369	0	19,456,369
Total Assets	<u>25,038,618</u>	<u>1,455</u>	<u>25,040,073</u>
<u>Liabilities:</u>			
Accounts Payable	13,852	0	13,852
Accrued Wages and Benefits Payable	383,632	0	383,632
Intergovernmental Payable	108,214	0	108,214
Accrued Interest Payable	14,643	0	14,643
Long-Term Liabilities:			
Due Within One Year	192,373	0	192,373
Due in More Than One Year	3,779,521	0	3,779,521
Total Liabilities	<u>4,492,235</u>	<u>0</u>	<u>4,492,235</u>
<u>Deferred Inflows of Resources</u>			
Property Taxes Receivable	<u>1,206,346</u>	<u>0</u>	<u>1,206,346</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	16,190,356	0	16,190,356
Restricted For:			
Debt Service	541,338	0	541,338
Capital Projects	194,466	0	194,466
Other Purposes	330,427	0	330,427
Unrestricted	2,083,450	1,455	2,084,905
Total Net Position	<u>\$19,340,037</u>	<u>\$1,455</u>	<u>\$19,341,492</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$2,851,594	\$493,930	\$201,034	\$0
Special	682,935	0	309,328	0
Vocational	71,205	0	35,873	0
Support Services:				
Pupils	292,631	0	885	0
Instructional Staff	263,992	0	0	0
Board of Education	12,362	0	0	0
Administration	518,610	0	0	0
Fiscal	240,354	98,889	0	1,299
Business	6,583	0	0	0
Operation and Maintenance of Plant	512,747	0	0	0
Pupil Transportation	251,283	0	536	0
Central	157,814	0	3,600	0
Non-Instructional Services	288,259	120,253	133,147	0
Extracurricular Activities	295,199	105,870	0	0
Interest and Fiscal Charges	182,762	0	0	0
Total Governmental Activities	6,628,330	818,942	684,403	1,299
<u>Business-Type Activity:</u>				
Latchkey	4,771	6,226	0	0
Total Primary Government	\$6,633,101	\$825,168	\$684,403	\$1,299

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

Change in Net Position

Net Position at Beginning of Year
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Primary Government

Governmental Activities	Business-Type Activity	Total
(\$2,156,630)	\$0	(\$2,156,630)
(373,607)	0	(373,607)
(35,332)	0	(35,332)
(291,746)	0	(291,746)
(263,992)	0	(263,992)
(12,362)	0	(12,362)
(518,610)	0	(518,610)
(140,166)	0	(140,166)
(6,583)	0	(6,583)
(512,747)	0	(512,747)
(250,747)	0	(250,747)
(154,214)	0	(154,214)
(34,859)	0	(34,859)
(189,329)	0	(189,329)
(182,762)	0	(182,762)
(5,123,686)	0	(5,123,686)
0	1,455	1,455
(5,123,686)	1,455	(5,122,231)
1,091,132	0	1,091,132
17,652	0	17,652
308,686	0	308,686
58,701	0	58,701
752,336	0	752,336
2,730,338	0	2,730,338
6,426	0	6,426
4,500	0	4,500
94,798	0	94,798
5,064,569	0	5,064,569
(59,117)	1,455	(57,662)
19,399,154	0	19,399,154
\$19,340,037	\$1,455	\$19,341,492

Holgate Local School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,206,112	\$500,220	\$515,656	\$3,221,988
Accounts Receivable	6,891	0	0	6,891
Accrued Interest Receivable	1,792	0	0	1,792
Intergovernmental Receivable	63,411	0	12,170	75,581
Inventory Held for Resale	0	0	2,663	2,663
Materials and Supplies Inventory	11,771	0	743	12,514
Property Taxes Receivable	1,118,178	316,593	80,836	1,515,607
Income Taxes Receivable	296,226	0	0	296,226
Total Assets	<u>\$3,704,381</u>	<u>\$816,813</u>	<u>\$612,068</u>	<u>\$5,133,262</u>
<u>Liabilities:</u>				
Accounts Payable	\$7,146	\$0	\$6,706	\$13,852
Accrued Wages and Benefits Payable	356,691	0	26,941	383,632
Intergovernmental Payable	101,431	0	6,783	108,214
Total Liabilities	<u>465,268</u>	<u>0</u>	<u>40,430</u>	<u>505,698</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes Receivable	905,740	260,839	39,767	1,206,346
Unavailable Revenue	109,436	14,568	10,446	134,450
Total Deferred Inflows of Resources	<u>1,015,176</u>	<u>275,407</u>	<u>50,213</u>	<u>1,340,796</u>
<u>Fund Balances:</u>				
Nonspendable	11,771	0	743	12,514
Restricted	0	541,406	520,682	1,062,088
Assigned	347,092	0	0	347,092
Unassigned	1,865,074	0	0	1,865,074
Total Fund Balances	<u>2,223,937</u>	<u>541,406</u>	<u>521,425</u>	<u>3,286,768</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$3,704,381</u>	<u>\$816,813</u>	<u>\$612,068</u>	<u>\$5,133,262</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balances		\$3,286,768
----------------------------------	--	-------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		19,905,356
---	--	------------

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	6,124		
Accrued Interest Receivable	906		
Delinquent Property Taxes Receivable	77,392		
Income Taxes Receivable	50,028		
			134,450

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

Accrued Interest Payable	(14,643)		
Loans Payable	(1,715,000)		
General Obligation Bonds Payable	(2,000,000)		
Compensated Absences Payable	(256,894)		
			(3,986,537)

Net Position of Governmental Activities		<u>\$19,340,037</u>
---	--	---------------------

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$1,084,365	\$309,052	\$74,997	\$1,468,414
Income Taxes	751,042	0	0	751,042
Intergovernmental	2,799,563	56,372	558,806	3,414,741
Interest	5,830	0	93	5,923
Tuition and Fees	494,445	0	0	494,445
Charges for Services	98,889	0	120,253	219,142
Extracurricular Activities	16,740	0	89,130	105,870
Gifts and Donations	4,500	0	0	4,500
Miscellaneous	94,798	0	0	94,798
Total Revenues	<u>5,350,172</u>	<u>365,424</u>	<u>843,279</u>	<u>6,558,875</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,526,305	0	20,155	2,546,460
Special	445,438	0	210,565	656,003
Vocational	79,391	0	0	79,391
Support Services:				
Pupils	282,274	0	888	283,162
Instructional Staff	116,552	0	131,048	247,600
Board of Education	12,362	0	0	12,362
Administration	495,931	0	305	496,236
Fiscal	210,056	15,009	2,791	227,856
Business	6,583	0	0	6,583
Operation and Maintenance of Plant	377,097	0	64,570	441,667
Pupil Transportation	305,736	0	0	305,736
Central	146,013	0	13,390	159,403
Non-Instructional Services	0	0	257,220	257,220
Extracurricular Activities	154,430	0	93,632	248,062
Debt Service:				
Principal Retirement	0	159,000	15,000	174,000
Interest and Fiscal Charges	0	178,204	4,381	182,585
Total Expenditures	<u>5,158,168</u>	<u>352,213</u>	<u>813,945</u>	<u>6,324,326</u>
Excess of Revenues Over Expenditures	<u>192,004</u>	<u>13,211</u>	<u>29,334</u>	<u>234,549</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	19,388	19,388
Transfers Out	(11,510)	0	(7,878)	(19,388)
Total Other Financing Sources (Uses)	<u>(11,510)</u>	<u>0</u>	<u>11,510</u>	<u>0</u>
Changes in Fund Balances	180,494	13,211	40,844	234,549
Fund Balances at Beginning of Year	2,043,443	528,195	480,581	3,052,219
Fund Balances at End of Year	<u>\$2,223,937</u>	<u>\$541,406</u>	<u>\$521,425</u>	<u>\$3,286,768</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Changes in Fund Balances - Total Governmental Funds		\$234,549
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current fiscal year.</p>		
Capital Outlay - Depreciable Capital Assets	147,116	
Capital Contributions	1,299	
Depreciation	<u>(608,988)</u>	(460,573)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Delinquent Property Taxes	7,757	
Income Taxes	1,294	
Interest	503	
Tuition and Fees	<u>(515)</u>	9,039
<p>Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net position.</p>		
		174,000
<p>Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position.</p>		
		(177)
<p>Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences Payable	(17,317)	
Separation Benefits Payable	<u>1,362</u>	<u>(15,955)</u>
Change in Net Position of Governmental Activities		<u><u>(\$59,117)</u></u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,067,670	\$1,056,732	\$1,056,353	(\$379)
Income Taxes	700,900	761,026	761,026	0
Intergovernmental	2,760,205	2,802,155	2,798,573	(3,582)
Interest	7,000	7,000	7,142	142
Tuition and Fees	403,350	473,491	432,301	(41,190)
Charges for Services	56,300	62,577	98,889	36,312
Extracurricular Activities	4,510	18,880	16,740	(2,140)
Gifts and Donations	1,500	2,000	4,500	2,500
Miscellaneous	48,940	58,489	55,438	(3,051)
Total Revenues	<u>5,050,375</u>	<u>5,242,350</u>	<u>5,230,962</u>	<u>(11,388)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,631,445	2,646,701	2,567,017	79,684
Special	386,140	478,913	442,700	36,213
Vocational	126,838	133,494	89,410	44,084
Support Services:				
Pupils	280,096	281,103	279,752	1,351
Instructional Staff	176,780	183,055	117,434	65,621
Board of Education	17,825	15,028	12,211	2,817
Administration	539,730	522,546	496,436	26,110
Fiscal	232,704	222,379	211,430	10,949
Business	8,600	8,600	7,136	1,464
Operation and Maintenance of Plant	327,826	362,728	381,614	(18,886)
Pupil Transportation	301,328	302,102	307,782	(5,680)
Central	67,567	67,577	145,800	(78,223)
Extracurricular Activities	152,919	171,299	157,049	14,250
Total Expenditures	<u>5,249,798</u>	<u>5,395,525</u>	<u>5,215,771</u>	<u>179,754</u>
Excess of Revenues Over (Under) Expenditures	<u>(199,423)</u>	<u>(153,175)</u>	<u>15,191</u>	<u>168,366</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	13,895	22,159	27,612	5,453
Other Financing Sources	0	16,500	24,649	8,149
Advances In	5,000	0	0	0
Transfers Out	(21,000)	(13,122)	(11,510)	1,612
Total Other Financing Sources (Uses)	<u>(2,105)</u>	<u>25,537</u>	<u>40,751</u>	<u>15,214</u>
Changes in Fund Balance	(201,528)	(127,638)	55,942	183,580
Fund Balance at Beginning of Year	2,100,791	2,100,791	2,100,791	0
Prior Year Encumbrances Appropriated	34,903	34,903	34,903	0
Fund Balance at End of Year	<u>\$1,934,166</u>	<u>\$2,008,056</u>	<u>\$2,191,636</u>	<u>\$183,580</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Fund Net Position
Enterprise Fund
June 30, 2014

	<u>Latchkey</u>
<u>Assets:</u>	
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,455</u>
<u>Net Position:</u>	
Unrestricted	<u>\$1,455</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
 Statement of Revenues, Expenses, and Change in Fund Net Position
 Enterprise Fund
 For the Fiscal Year Ended June 30, 2014

	<u>Latchkey</u>
<u>Operating Revenues:</u>	
Tuition and Fees	<u>\$6,226</u>
 <u>Operating Expenses:</u>	
Salaries	3,569
Fringe Benefits	605
Other Operating Expenses	<u>597</u>
Total Operating Expenses	<u>4,771</u>
 Change in Net Position	 1,455
 Net Position at Beginning of Year	 <u>0</u>
Net Position at End of Year	<u><u>\$1,455</u></u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2014

	<u>Latchkey</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Tuition and Fees	\$6,226
Cash Payments for Salaries	(3,569)
Cash Payments for Fringe Benefits	(605)
Cash Payments for Other Operating Expenses	(597)
Net Cash Provided by Operating Activities	<u>1,455</u>
Cash and Cash Equivalents at Beginning of Year	<u>0</u>
Cash and Cash Equivalents at End of Year	<u><u>\$1,455</u></u>
Reconciliation of Operating Income	
<u>to Net Cash Provided by Operating Activities:</u>	
Operating Income	<u><u>\$1,455</u></u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$124,685	\$19,312
Accrued Interest Receivable	<u>178</u>	<u>0</u>
Total Assets	<u>\$124,863</u>	<u>\$19,312</u>
 <u>Liabilities:</u>		
Due to Students	<u>0</u>	<u>\$19,312</u>
 <u>Net Position:</u>		
Held in Trust for Scholarships	<u>\$124,863</u>	

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

<u>Additions:</u>	
Interest	<u>\$390</u>
 <u>Deductions:</u>	
Non-Instructional Services	<u>329</u>
 Change in Net Position	 61
 Net Position at Beginning of Year	 <u>124,802</u>
Net Position at End of Year	<u><u>\$124,863</u></u>

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1892. The School District serves an area of approximately fifty-four square miles. It is located in Henry County and includes all of the Village of Holgate and portions of Flatrock, Marion, Monroe, and Pleasant Townships. The School District is the 593rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty classified employees, thirty-eight certified teaching personnel, and four administrative employees who provide services to four hundred eighty-nine students and other community members. The School District currently operates one instructional facility which houses the elementary school, middle school, and high school.

Reporting Entity

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

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

The School District participates in four jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., Schools of Ohio Risk Sharing Authority, the Northern Buckeye Health Plan, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Holgate Community Library. These organizations are presented in Notes 18, 19, and 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

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

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

Proprietary Fund

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The School District did not report any deferred outflows of resources for fiscal year 2014.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources consists of property taxes and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, delinquent property taxes, income taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

Expenses/Expenditures

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

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

E. Budgetary Process

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

F. Cash and Investments

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

During fiscal year 2014, investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

The Board of Education allocates interest according to State statute. Interest revenue credited to the General Fund during fiscal year 2014 was \$5,830, which includes \$1,708 assigned from other School District funds.

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

G. Inventory

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

H. Capital Assets

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

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

I. Compensated Absences

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Position

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

Note 2 - Summary of Significant Accounting Policies (continued)

L. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

M. Operating Revenues and Expenses

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

Note 2 - Summary of Significant Accounting Policies (continued)

N. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

O. Interfund Transactions

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

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

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

P. Estimates

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

Note 3 - Budgetary Basis of Accounting

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

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 3 - Budgetary Basis of Accounting (continued)

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

Changes in Fund Balance	
GAAP Basis	\$180,494
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2013, Received in Cash FY 2014	404,365
Accrued FY 2014, Not Yet Received in Cash	(471,322)
Expenditure Accruals:	
Accrued FY 2013, Paid in Cash FY 2014	(506,887)
Accrued FY 2014, Not Yet Paid in Cash	465,268
Cash Adjustments:	
Unrecorded Activity FY 2013	115
Unrecorded Activity FY 2014	(107)
Materials and Supplies Inventory	(1,615)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(14,369)
Budget Basis	\$55,942

Note 4 - Deposits and Investments

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

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

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

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4 - Deposits and Investments (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,835,786 of the School District's bank balance of \$3,440,343 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 - Receivables

Receivables at June 30, 2014, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, property taxes, and income taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and income taxes, are expected to be collected within one year. Property taxes and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
State of Ohio	\$1,295
Owens Community College	62,116
Total General Fund	63,411
Other Governmental Funds	
Title I	12,170
Total Intergovernmental Receivables	\$75,581

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 6 - Property Taxes (continued)

The School District receives property taxes from Henry County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2014, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2014, was \$160,060 in the General Fund, \$7,287 in the Classroom Maintenance special revenue fund, \$41,186 in the Bond Retirement debt service fund, and \$23,336 in the Permanent Improvements capital projects fund. The amount available as an advance at June 30, 2013, was \$132,048 in the General Fund, \$6,148 in the Classroom Maintenance special revenue fund, \$43,430 in the Bond Retirement debt service fund, and \$19,350 in the Permanent Improvements capital projects fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$49,837,160	92.22%	\$49,962,530	91.24%
Industrial/Commercial	2,254,180	4.17	2,421,990	4.42
Public Utility	1,953,350	3.61	2,374,120	4.34
Total Assessed Value	<u>\$54,044,690</u>	<u>100.00%</u>	<u>\$54,758,640</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.50		\$39.50	

Note 7 - Income Taxes

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$448,987	\$0	\$0	\$448,987
Depreciable Capital Assets				
Land Improvements	2,108,813	0	0	2,108,813
Buildings and Building Improvements	20,141,152	0	0	20,141,152
Furniture, Fixtures, and Equipment	1,283,468	64,636	0	1,348,104
Vehicles	619,153	83,779	(103,347)	599,585
Total Depreciable Capital Assets	24,152,586	148,415	(103,347)	24,197,654
Less Accumulated Depreciation				
Land Improvements	(614,640)	(95,713)	0	(710,353)
Buildings and Building Improvements	(2,676,660)	(425,636)	0	(3,102,296)
Furniture, Fixtures, and Equipment	(619,219)	(58,394)	0	(677,613)
Vehicles	(325,125)	(29,245)	103,347	(251,023)
Total Accumulated Depreciation	(4,235,644)	(608,988)	103,347	(4,741,285)
Depreciable Capital Assets, Net	19,916,942	(460,573)	0	19,456,369
Governmental Activities Capital Assets, Net	\$20,365,929	(\$460,573)	\$0	\$19,905,356

The School District accepted contributions of depreciable capital assets for governmental activities with a fair value of \$1,299 during fiscal year 2014.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$289,516
Special	26,932
Vocational	23,551
Support Services:	
Pupils	8,401
Instructional Staff	20,076
Administration	21,177
Fiscal	12,334
Operation and Maintenance of Plant	101,690
Pupil Transportation	29,564
Non-Instructional Services	28,610
Extracurricular Activities	47,137
Total Depreciation Expense	<u>\$608,988</u>

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted for the following insurance coverage.

Coverage provided through Schools of Ohio Risk Sharing Authority is as follows:

General Liability	
Per Occurrence	\$15,000,000
Total per Year	17,000,000
Vehicle Liability	15,000,000
Building and Contents	29,590,695

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2014, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Northern Buckeye Health Plan (Plan), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, vision, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Plan. The agreement for the Plan provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Plan, a participant is responsible for any claims not processed and paid and any related administrative costs.

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 10 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General Fund	\$14,369
Other Governmental Funds	53,537
Total	<u>\$67,906</u>

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$279,149 and \$74 for the fiscal year ended June 30, 2014, \$288,487 and \$4,724 for the fiscal year ended June 30, 2013, and \$283,730 (DBP only) for the fiscal year ended June 30, 2012. For fiscal year 2014, 83 percent has been contributed for both the DBP and CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$5,195 made by the School District and \$4,082 made by the plan members. In addition, member contributions of \$58 were made for fiscal year 2014 for the defined contribution portion of the CP.

Note 11 - Defined Benefit Pension Plans (continued)

B. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$68,860, \$66,658, and \$64,998, respectively. For fiscal year 2014, 65 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2014, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. State Teachers Retirement System

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

Note 12 - Postemployment Benefits (continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$21,878, \$22,601, and \$21,831, respectively. For fiscal year 2014, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Plan effective July 1, 2014.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2014, this amount was \$20,250. For fiscal year 2014, the School District paid \$9,440 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$736, \$814, and \$2,815, respectively. For fiscal year 2014, 65 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$3,995, \$3,765, and \$3,838, respectively. For fiscal year 2014, 65 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 13 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

The School District provides medical, dental, vision, and life insurance to most employees through the Northern Buckeye Health Plan.

Note 14 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
Governmental Activities					
FY11 Loan Payable 4.5%	\$105,000	\$0	\$15,000	\$90,000	\$15,000
FY06 Loan Payable 5.06%	1,669,000	0	44,000	1,625,000	46,000
Total Loans Payable	<u>1,774,000</u>	<u>0</u>	<u>59,000</u>	<u>1,715,000</u>	<u>61,000</u>
General Obligation Bonds					
FY12 School Facilities Construction and Improvement Refunding Bonds					
Term Bonds 3%	1,150,000	0	115,000	1,035,000	120,000
FY02 School Facilities Construction and Improvement Bonds					
Term Bonds 4.9 - 6%	965,000	0	0	965,000	0
Total General Obligation Bonds	<u>2,115,000</u>	<u>0</u>	<u>115,000</u>	<u>2,000,000</u>	<u>120,000</u>
Compensated Absences Payable	<u>239,577</u>	<u>27,084</u>	<u>9,767</u>	<u>256,894</u>	<u>11,373</u>
Total Governmental Activities Long-Term Obligations	<u>\$4,128,577</u>	<u>\$27,084</u>	<u>\$183,767</u>	<u>\$3,971,894</u>	<u>\$192,373</u>

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

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Long-Term Obligations (continued)

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

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

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

Year	Amount
2014	120,000
2015	130,000
2016	135,000
2017	145,000
2018	5,000
2019	5,000
2020	5,000
2021	5,000
2022	5,000
2023	230,000

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

FY02 School Facilities Construction and Improvement Bonds - On April 15, 2002, the School District issued \$3,069,000 in voted general obligation bonds for the construction of a new elementary school and middle school. The bond issue included serial and term bonds, in the original amount of \$1,329,000 and \$1,740,000, respectively. The bonds were issued for a twenty-four year period, with final maturity during fiscal year 2025. During fiscal year 2012, a portion of the term bonds, in the amount of \$1,155,000, was refunded. The remaining bonds will be retired through the Bond Retirement debt service fund

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

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

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Long-Term Obligations (continued)

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

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

The School District's overall debt margin was \$1,549,254 with an unvoted debt margin of \$52,476 at June 30, 2014.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014, were as follows:

FY 11 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$15,000	\$3,713	\$18,713
2016	15,000	3,037	18,037
2017	15,000	2,362	17,362
2018	15,000	1,688	16,688
2019	15,000	1,013	16,013
2020	15,000	337	15,337
Total	\$90,000	\$12,150	\$102,150

FY 06 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$46,000	\$81,542	\$127,542
2016	48,000	79,149	127,149
2017	50,000	76,655	126,655
2018	53,000	74,034	127,034
2019	56,000	71,260	127,260
2020-2024	321,000	309,955	630,955
2025-2029	410,000	217,344	627,344
2030-2034	521,000	99,484	620,484
2035	120,000	3,054	123,054
Total	\$1,625,000	\$1,012,477	\$2,637,477

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Long-Term Obligations (continued)

General Obligation Bonds			
Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$120,000	\$87,150	\$207,150
2016	130,000	83,400	213,400
2017	135,000	79,425	214,425
2018	145,000	75,225	220,225
2019	170,000	68,025	238,025
2020-2024	1,050,000	170,850	1,220,850
2025	250,000	3,750	253,750
Total	\$2,000,000	\$567,825	\$2,567,825

Note 15 - Fund Balance

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

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies				
Inventory	\$11,771	\$0	\$743	\$12,514
Restricted for:				
Athletics and Music	0	0	15,935	15,935
Debt Retirement	0	541,406	7	541,413
Facilities Maintenance	0	0	170,427	170,427
Food Service Operations	0	0	114,602	114,602
Permanent Improvements	0	0	186,500	186,500
Regular Instruction	0	0	32,897	32,897
Special Instruction	0	0	311	311
Wellness Program	0	0	3	3
Total Restricted	0	541,406	520,682	1,062,088
Assigned for:				
Educational Activities	10,764	0	0	10,764
Extracurricular Activities	178	0	0	178
Projected Budget Shortage	324,331	0	0	324,331
Unpaid Obligations	11,819	0	0	11,819
Total Assigned	347,092	0	0	347,092
Unassigned	1,865,074	0	0	1,865,074
Total Fund Balance	\$2,223,937	\$541,406	\$521,425	\$3,286,768

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2014.

Balance June 30, 2013	\$0
Current Year Set Aside Requirement	80,131
Current Year Offsets	(63,463)
Qualifying Expenditures	(16,668)
Balance June 30, 2014	<u>\$0</u>

Note 17 - Interfund Transfers

During fiscal year 2014, the General Fund and other governmental funds made transfers to other governmental funds, in the amount of \$11,510, and \$7,878, respectively, to subsidize various programs in other funds.

Note 18 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2014, the School District paid \$80,569 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

Note 18 - Jointly Governed Organizations (continued)

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

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

Note 19 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

B. Northern Buckeye Health Plan

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

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

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 20 - Related Organization

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

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

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

This page intentionally left blank.



Dave Yost • Auditor of State

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

Holgate Local School District
Henry County
801 East Joe E. Brown Avenue
Holgate, Ohio 43527-9802

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 15, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

June 15, 2016



Dave Yost • Auditor of State

HOLGATE LOCAL SCHOOL DISTRICT

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 7, 2016