



Dave Yost • Auditor of State



**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
JUNE 30, 2017 AND 2016**

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HENRY COUNTY  
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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

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 School District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Management is responsible for 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 School Districts 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 School District's internal control. Accordingly, we express no such 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.

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**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 Holgate Local School District, Henry County, Ohio, as of June 30, 2017 and 2016, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the years 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* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 April 17, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 School District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 17, 2018

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

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The discussion and analysis of Holgate Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. 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 2017 are as follows:

In total, net position increased \$181,059, or 1 percent, from the prior fiscal year.

General revenues accounted for 83 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 2017. 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, 2017  
Unaudited

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In the statement of net position and the statement of activities, all of the School District's activities are reflected as governmental activities including instruction, support services, non-instructional services, and extracurricular activities.

**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 - All 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.

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.

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2017 and fiscal year 2016.

Table 1 Net Position		Governmental Activities	
	2017	2016	Change
<u>Assets:</u>			
Current and Other Assets	\$7,348,463	\$6,667,818	\$680,645
Capital Assets, Net	18,465,073	18,981,071	(515,998)
Total Assets	25,813,536	25,648,889	164,647
 <u>Deferred Outflows of Resources:</u>			
Pension	1,622,026	835,930	786,096
			(continued)

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

Table 1  
Net Position  
(continued)

	Governmental Activities		
	2017	2016	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$557,757	\$548,491	(\$9,266)
Long-Term Liabilities			
Pension	8,633,703	7,117,009	(1,516,694)
Other Amounts	3,390,027	3,586,477	196,450
Total Liabilities	<u>12,581,487</u>	<u>11,251,977</u>	<u>(1,329,510)</u>
<u>Deferred Inflows of Resources:</u>			
Pension	61,798	499,157	437,359
Other Amounts	1,500,449	1,622,916	122,467
Total Deferred Inflows of Resources	<u>1,562,247</u>	<u>2,122,073</u>	<u>559,826</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	15,324,073	15,640,071	(315,998)
Restricted	1,214,725	1,143,595	71,130
Unrestricted (Deficit)	(3,246,970)	(3,672,897)	425,927
Total Net Position	<u>\$13,291,828</u>	<u>\$13,110,769</u>	<u>(\$181,059)</u>

The net pension liability reported by the School District at June 30, 2017, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

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GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the School District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

Pension related changes noted in the above table reflect a significant increase in deferred outflows and decrease in deferred inflows related to changes in projected and actual earnings on investments related to the net pension liability. The increase in the net pension liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

Aside from the changes related to pension, there were few changes of note from the prior fiscal year. The increase in current and other assets is primarily related to an increase in cash and cash equivalents despite total expenses increasing more than the increase in total revenues for the fiscal year. Increases in property tax revenue and State foundation resources provided for the increase in cash and cash equivalents as of fiscal year end. This increase is also reflected in the increase in unrestricted net position. The decrease in other long-term liabilities is due to annual debt retirement.

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

Table 2 reflects the change in net position for fiscal year 2017 and fiscal year 2016.

Table 2  
Change in Net Position

	Governmental Activities		Change
	2017	2016	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$731,157	\$689,370	\$41,787
Operating Grants and Contributions	496,014	449,800	46,214
Total Program Revenues	1,227,171	1,139,170	88,001
General Revenues			
Property Taxes	1,912,013	1,694,277	217,736
Income Taxes	789,869	778,432	11,437
Grants and Entitlements	3,229,879	3,103,012	126,867
Interest	22,599	18,270	4,329
Gifts and Donations	1,200	1,600	(400)
Miscellaneous	82,825	60,633	22,192
Total General Revenues	6,038,385	5,656,224	382,161
Total Revenues	7,265,556	6,795,394	470,162
<u>Expenses</u>			
Instruction:			
Regular	3,352,757	3,097,929	(254,828)
Special	727,132	488,719	(238,413)
Vocational	121,415	105,707	(15,708)
Support Services:			
Pupils	285,299	256,317	(28,982)
Instructional Staff	86,151	60,321	(25,830)
Board of Education	19,099	25,523	6,424
Administration	597,968	525,324	(72,644)
Fiscal	237,383	259,130	21,747
Business	5,702	6,488	786
Operation and Maintenance of Plant	503,630	454,183	(49,447)
Pupil Transportation	238,826	233,457	(5,369)
Central	180,051	169,844	(10,207)
Non-Instructional Services	254,711	249,562	(5,149)
Extracurricular Activities	312,239	298,201	(14,038)
Interest and Fiscal Charges	162,134	169,111	6,977
Total Expenses	7,084,497	6,399,816	(684,681)
Increase in Net Position	181,059	395,578	(214,519)
Net Position Beginning of Year	13,110,769	12,715,191	395,578
Net Position End of Year	\$13,291,828	\$13,110,769	\$181,059

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

Program revenues accounted for 17 percent of total revenues for fiscal year 2017 (the same for fiscal year 2016). Overall, revenues increased 7 percent from the prior fiscal year. Most of this increase was due to an increase in property tax revenue and State foundation resources (both restricted and unrestricted foundation resources).

Governmental activities expenses increased almost 11 percent from the prior fiscal year with increases in most programs. Most of this increase can be attributed to salary and benefits increases per negotiated agreements with employees.

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	
	2017	2016	2017	2016
Instruction:				
Regular	\$3,352,757	\$3,097,929	\$2,768,473	\$2,595,992
Special	727,132	488,719	418,554	204,354
Vocational	121,415	105,707	99,453	82,013
Support Services:				
Pupils	285,299	256,317	279,080	250,033
Instructional Staff	86,151	60,321	86,151	60,321
Board of Education	19,099	25,523	19,099	25,523
Administration	597,968	525,324	597,968	525,324
Fiscal	237,383	259,130	237,290	256,708
Business	5,702	6,488	5,702	6,488
Operation and Maintenance of Plant	503,630	454,183	503,630	454,183
Pupil Transportation	238,826	233,457	230,999	223,734
Central	180,051	169,844	176,451	166,244
Non-Instructional Services	254,711	249,562	43,746	30,683
Extracurricular Activities	312,239	298,201	228,596	209,935
Interest and Fiscal Charges	162,134	169,111	162,134	169,111
Total Expenses	<u>\$7,084,497</u>	<u>\$6,399,816</u>	<u>\$5,857,326</u>	<u>\$5,260,646</u>

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

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The above table demonstrates that the dependence on tax revenues and unrestricted state entitlements is considerable with 83 percent of all programs supported by these revenue sources. Approximately 78 percent of instruction activities are supported through taxes and other general revenues. Several programs, however, receive substantial support through program revenues. Approximately 42 percent of special instruction costs are provided for through program revenues. This is the result of various grants restricted for special instruction purposes. Almost 83 percent 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 27 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.

### **The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting.

Fund balance increased 22 percent in the General Fund. Revenues increased 6 percent primarily due to an increase in State foundation resources and property taxes as well as an increase in tuition. Expenditures increased a modest 4 percent.

The increase in fund balance in the Bond Retirement fund is the result of property taxes and related revenues exceeding debt service requirements.

### **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 2017, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget were primarily due to increasing the estimate for State foundation revenue and tuition. Changes from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget as well as from the final budget to actual expenditures were not significant.

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

#### **Capital Assets**

At the end of fiscal year 2017, the School District had \$18,465,073 invested in capital assets (net of accumulated depreciation). The most significant additions for the fiscal year were a school bus along with miscellaneous equipment. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.



Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

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Debt

The School District's outstanding debt at fiscal year end included long-term loans, in the amount of \$1,526,000, and general obligation bonds, in the amount of \$1,615,000. The School District's long-term obligations also include the net pension liability and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

**Current Issues**

While the School District's current five-year forecast reflects positive balances for fiscal years 2018 through 2022, the School District will be deficit spending beginning in fiscal year 2021.

The School District's current contract with the teachers' union covers the period from September 1, 2014, through August 31, 2018. The contract provides for base salary and step increases in each year of the contract. The School District will be negotiating a new contract prior to heading into the next school year.

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 Kent Seemann, Treasurer, Holgate Local School District, 801 East Joe E. Brown Avenue, Holgate, Ohio 43527.

Holgate Local School District  
Statement of Net Position  
June 30, 2017

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,178,913
Accounts Receivable	842
Accrued Interest Receivable	13,583
Intergovernmental Receivable	13,799
Prepaid Items	3,850
Inventory Held for Resale	6,914
Materials and Supplies Inventory	7,483
Property Taxes Receivable	1,824,014
Income Taxes Receivable	299,065
Nondepreciable Capital Assets	448,987
Depreciable Capital Assets, Net	18,016,086
Total Assets	25,813,536
 <u>Deferred Outflows of Resources:</u>	
Pension	1,622,026
 <u>Liabilities:</u>	
Accounts Payable	8,264
Accrued Wages and Benefits Payable	449,179
Intergovernmental Payable	87,413
Accrued Interest Payable	12,901
Long-Term Liabilities:	
Due Within One Year	241,293
Due in More Than One Year	
Net Pension Liability	8,633,703
Other Amounts Due in More Than One Year	3,148,734
Total Liabilities	12,581,487
 <u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	1,500,449
Pension	61,798
Total Deferred Inflows of Resources	1,562,247
 <u>Net Position:</u>	
Net Investment in Capital Assets	15,324,073
Restricted For:	
Debt Service	631,078
Capital Projects	286,127
Other Purposes	297,520
Unrestricted (Deficit)	(3,246,970)
Total Net Position	\$13,291,828

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2017

	Program Revenues	
Expenses	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>		
Instruction:		
Regular	\$3,352,757	\$523,207
Special	727,132	0
Vocational	121,415	0
Support Services:		
Pupils	285,299	5,399
Instructional Staff	86,151	0
Board of Education	19,099	0
Administration	597,968	0
Fiscal	237,383	93
Business	5,702	0
Operation and Maintenance of Plant	503,630	0
Pupil Transportation	238,826	7,827
Central	180,051	0
Non-Instructional Services	254,711	110,988
Extracurricular Activities	312,239	83,643
Interest and Fiscal Charges	162,134	0
Total Governmental Activities	7,084,497	731,157

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

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Governmental  
Activities

---

(\$2,768,473)  
(418,554)  
(99,453)

(279,080)  
(86,151)  
(19,099)  
(597,968)  
(237,290)  
(5,702)

(503,630)  
(230,999)  
(176,451)  
(43,746)  
(228,596)  
(162,134)

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(5,857,326)

1,476,463  
10,894  
361,214  
63,442  
789,869  
3,229,879  
22,599  
1,200  
82,825

---

6,038,385

181,059

13,110,769  
\$13,291,828

Holgate Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2017

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,021,240	\$584,013	\$573,660	\$5,178,913
Accounts Receivable	742	0	100	842
Accrued Interest Receivable	13,583	0	0	13,583
Interfund Receivable	5,887	0	0	5,887
Intergovernmental Receivable	6,739	0	7,060	13,799
Prepaid Items	3,830	0	20	3,850
Inventory Held for Resale	0	0	6,914	6,914
Materials and Supplies Inventory	6,626	0	857	7,483
Property Taxes Receivable	1,383,521	364,146	76,347	1,824,014
Income Taxes Receivable	299,065	0	0	299,065
Total Assets	<u>\$5,741,233</u>	<u>\$948,159</u>	<u>\$664,958</u>	<u>\$7,354,350</u>
<u>Liabilities:</u>				
Accounts Payable	\$6,744	\$0	\$1,520	\$8,264
Accrued Wages and Benefits Payable	429,675	0	19,504	449,179
Interfund Payable	0	0	5,887	5,887
Intergovernmental Payable	83,988	0	3,425	87,413
Total Liabilities	<u>520,407</u>	<u>0</u>	<u>30,336</u>	<u>550,743</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes Receivable	1,147,037	304,180	49,232	1,500,449
Unavailable Revenue	106,348	12,316	7,023	125,687
Total Deferred Inflows of Resources	<u>1,253,385</u>	<u>316,496</u>	<u>56,255</u>	<u>1,626,136</u>
<u>Fund Balances:</u>				
Nonspendable	10,456	0	877	11,333
Restricted	0	631,663	585,455	1,217,118
Assigned	16,098	0	0	16,098
Unassigned (Deficit)	3,940,887	0	(7,965)	3,932,922
Total Fund Balances	<u>3,967,441</u>	<u>631,663</u>	<u>578,367</u>	<u>5,177,471</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$5,741,233</u>	<u>\$948,159</u>	<u>\$664,958</u>	<u>\$7,354,350</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, 2017

Total Governmental Fund Balances		\$5,177,471
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		18,465,073
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	742	
Accrued Interest Receivable	6,873	
Intergovernmental Receivable	908	
Delinquent Property Taxes Receivable	67,465	
Income Taxes Receivable	49,699	
		125,687
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(12,901)	
Loans Payable	(1,526,000)	
General Obligation Bonds Payable	(1,615,000)	
Compensated Absences Payable	(249,027)	
		(3,402,928)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.		
Deferred Outflows	1,622,026	
Deferred Inflows	(61,798)	
Net Pension Liability	(8,633,703)	
		(7,073,475)
Net Position of Governmental Activities		\$13,291,828

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, 2017

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$1,476,364	\$360,285	\$74,662	\$1,911,311
Income Taxes	788,994	0	0	788,994
Intergovernmental	3,312,742	54,997	357,569	3,725,308
Interest	17,911	0	35	17,946
Tuition and Fees	532,087	0	5,399	537,486
Charges for Services	93	0	110,988	111,081
Extracurricular Activities	1,291	0	82,352	83,643
Gifts and Donations	1,200	0	0	1,200
Miscellaneous	79,960	0	365	80,325
Total Revenues	<u>6,210,642</u>	<u>415,282</u>	<u>631,370</u>	<u>7,257,294</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,831,130	0	25,142	2,856,272
Special	471,215	0	212,629	683,844
Vocational	106,654	0	0	106,654
Support Services:				
Pupils	268,756	0	819	269,575
Instructional Staff	63,292	0	0	63,292
Board of Education	19,099	0	0	19,099
Administration	541,475	0	0	541,475
Fiscal	209,641	14,239	1,840	225,720
Business	5,702	0	0	5,702
Operation and Maintenance of Plant	353,645	0	44,972	398,617
Pupil Transportation	270,139	0	0	270,139
Central	174,180	0	3,600	177,780
Non-Instructional Services	0	0	218,749	218,749
Extracurricular Activities	169,921	0	93,710	263,631
Capital Outlay	0	0	6,527	6,527
Debt Service:				
Principal Retirement	0	185,000	15,000	200,000
Interest and Fiscal Charges	0	160,380	2,360	162,740
Total Expenditures	<u>5,484,849</u>	<u>359,619</u>	<u>625,348</u>	<u>6,469,816</u>
Excess of Revenues Over Expenditures	<u>725,793</u>	<u>55,663</u>	<u>6,022</u>	<u>787,478</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	18,281	18,281
Transfers Out	(921)	(17,360)	0	(18,281)
Total Other Financing Sources (Uses)	<u>(921)</u>	<u>(17,360)</u>	<u>18,281</u>	<u>0</u>
Changes in Fund Balances	724,872	38,303	24,303	787,478
Fund Balances at Beginning of Year	<u>3,242,569</u>	<u>593,360</u>	<u>554,064</u>	<u>4,389,993</u>
Fund Balances at End of Year	<u>\$3,967,441</u>	<u>\$631,663</u>	<u>\$578,367</u>	<u>\$5,177,471</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, 2017

Changes in Fund Balances - Total Governmental Funds \$787,478

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

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

Capital Outlay - Depreciable Capital Assets	135,473	
Depreciation	<u>(645,812)</u>	(510,339)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (5,659)

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

Delinquent Property Taxes	702	
Income Taxes	875	
Intergovernmental	585	
Interest	4,653	
Tuition and Fees	<u>(1,053)</u>	5,762

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net position. 200,000

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position. 606

Compensated absences 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. (3,550)

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities. (694,343)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows or a reduction of the liability. 401,104

Change in Net Position of Governmental Activities \$181,059

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,427,268	\$1,450,554	\$1,450,554	\$0
Income Taxes	773,317	787,590	787,590	0
Intergovernmental	3,175,768	3,315,752	3,315,752	0
Interest	7,000	23,911	28,330	4,419
Tuition and Fees	457,835	532,087	532,087	0
Charges for Services	1,500	93	93	0
Extracurricular Activities	3,935	1,291	1,291	0
Gifts and Donations	1,500	1,200	1,200	0
Miscellaneous	43,213	72,644	72,644	0
Total Revenues	<u>5,891,336</u>	<u>6,185,122</u>	<u>6,189,541</u>	<u>4,419</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,948,171	2,938,171	2,838,528	99,643
Special	374,035	394,035	469,658	(75,623)
Vocational	113,942	113,943	106,364	7,579
Support Services:				
Pupils	292,840	292,840	270,488	22,352
Instructional Staff	47,137	47,137	59,192	(12,055)
Board of Education	26,180	26,180	19,066	7,114
Administration	590,705	612,333	538,968	73,365
Fiscal	224,072	211,244	211,311	(67)
Business	8,000	8,000	5,702	2,298
Operation and Maintenance of Plant	383,700	383,700	354,520	29,180
Pupil Transportation	324,867	319,867	270,581	49,286
Central	205,977	205,977	173,963	32,014
Extracurricular Activities	172,650	171,843	169,304	2,539
Total Expenditures	<u>5,712,276</u>	<u>5,725,270</u>	<u>5,487,645</u>	<u>237,625</u>
Excess of Revenues Over Expenditures	<u>179,060</u>	<u>459,852</u>	<u>701,896</u>	<u>242,044</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	2,500	577	577	0
Advances In	0	109	109	0
Transfers Out	0	(921)	(921)	0
Total Other Financing Sources (Uses)	<u>2,500</u>	<u>(235)</u>	<u>(235)</u>	<u>0</u>
Changes in Fund Balance	181,560	459,617	701,661	242,044
Fund Balance at Beginning of Year	3,300,068	3,300,068	3,300,068	0
Prior Year Encumbrances Appropriated	30,907	30,907	30,907	0
Fund Balance at End of Year	<u>\$3,512,535</u>	<u>\$3,790,592</u>	<u>\$4,032,636</u>	<u>\$242,044</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$124,414	\$15,194
<u>Liabilities:</u>		
Due to Students	0	\$15,194
<u>Net Position:</u>		
Held in Trust for Scholarships	\$124,414	

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, 2017

<u>Additions:</u>	
Interest	\$870
<u>Deductions:</u>	
Non-Instructional Services	999
	<hr/>
Change in Net Position	(129)
Net Position at Beginning of Year	124,543
Net Position at End of Year	<hr/> <u>\$124,414</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**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. It is staffed by twenty-four classified employees, forty-three certified teaching personnel, and four administrative employees who provide services to four hundred forty-four students and other community members. The School District currently operates one instructional building.

**Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to 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., the 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 20, 21, and 22 to the basic financial statements.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**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). However, the School District has no business-type activities.

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. 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 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 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

**B. Fund Accounting**

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

Governmental Funds

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

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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**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.

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; 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 outflows and 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, 2017

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**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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and explained in Note 13 to the basic financial statements.

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 until that time. For the School District, deferred inflows of resources consists of property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 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, intergovernmental revenue including grants, 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. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 13 to the basic financial statements.

**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.



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

**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.

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 2017, investments included nonnegotiable certificates of deposit, mutual funds, negotiable certificates of deposit, and federal agency securities. Investments are reported at fair value, which is based on quoted market price or current share price, except for 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 2017 was \$17,911, which includes \$4,012 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. 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 acquisition 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.

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

**J. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from interfund loans and for services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

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.

**L. 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, net pension liability and 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.

**M. 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.

**N. 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

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. The Board of Education has also assigned certain resources for certain educational or extracurricular activities.

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.

**O. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

**P. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**Q. Estimates**

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

**Note 3 - Accountability**

At June 30, 2017, the Title II-A special revenue fund had a deficit fund balance of \$7,965, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 4 - Budgetary Basis of Accounting**

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

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

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 4 - 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	\$724,872
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2016, Received in Cash FY 2017	419,078
Accrued FY 2017, Not Yet Received in Cash	(456,152)
Expenditure Accruals:	
Accrued FY 2016, Paid in Cash FY 2017	(517,983)
Accrued FY 2017, Not Yet Paid in Cash	520,407
Cash Adjustments:	
Unrecorded Activity FY 2016	1,813
Unrecorded Activity FY 2017	14,846
Materials and Supplies Inventory	2,060
Prepaid Items	(3,830)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(3,450)
Budget Basis	\$701,661

**Note 5 - Deposits and Investments**

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

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

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

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

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

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, and Government National Mortgage 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 and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

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, \$1,363,200 of the School District's bank balance of \$2,125,002 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.

Investments

Investments are reported at fair value. As of June 30, 2017, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>
Fair Value - Level One Inputs		
Mutual Funds	\$43,186	31 days
Fair Value - Level Two Inputs		
Negotiable Certificates of Deposit	247,859	9/7/17
Negotiable Certificates of Deposit	247,831	9/15/17
Negotiable Certificates of Deposit	123,901	12/14/17
Negotiable Certificates of Deposit	495,001	5/9/18
Negotiable Certificates of Deposit	247,705	5/10/18
Negotiable Certificates of Deposit	495,759	6/29/18
Negotiable Certificates of Deposit	493,222	9/10/18
Negotiable Certificates of Deposit	247,095	2/24/19
Negotiable Certificates of Deposit	247,139	2/28/19
Federal Home Loan Mortgage Corporation	347,529	7/19/21
Total Investments	<u>\$3,236,227</u>	



Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

The School District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. The School District's investment in mutual funds measured at fair value are valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the School District.

The mutual funds and Federal Home Loan Mortgage Corporation notes carry a rating of AAA by Moody's. The negotiable certificates of deposit are covered by SIPC insurance. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

The School District places no limit on the amount it may invest in any one issuer or investment type. The following table indicates the percentage of investments to the School District's total portfolio:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$2,845,512	87.9%
Federal Home Loan Mortgage Corporation	347,529	10.7

**Note 6 - Receivables**

Receivables at June 30, 2017, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 6 - Receivables** (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Bureau of Workers' Compensation	\$6,739
Other Governmental Funds	
Food Service	217
Rotary Latchkey	13
Athletic and Music	35
Title I	2,201
Title II-A	4,594
Total Governmental Activities	<u>\$13,799</u>

**Note 7 - Property Taxes**

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

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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Henry County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2017, 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, 2017, was \$187,450 in the General Fund, \$2,275 in the Classroom Maintenance special revenue fund, \$47,650 in the Bond Retirement debt service fund, and \$18,725 in the Permanent Improvements capital projects fund. The amount available as an advance at June 30, 2016, was \$161,640 in the General Fund, \$6,826 in the Classroom Maintenance special revenue fund, \$37,848 in the Bond Retirement debt service fund, and \$12,674 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 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$71,059,360	93.52%	\$71,364,660	93.45%
Industrial/Commercial	2,399,280	3.16	2,327,890	3.05
Public Utility	2,524,620	3.32	2,676,220	3.50
Total Assessed Value	<u>\$75,983,260</u>	<u>100.00%</u>	<u>\$76,368,770</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.50		\$37.75	

**Note 8 - Income Taxes**

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

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$448,987	\$0	\$0	\$448,987
Depreciable Capital Assets				
Land Improvements	2,108,813	9,075	0	2,117,888
Buildings and Building Improvements	20,210,167	0	0	20,210,167
Furniture, Fixtures, and Equipment	1,293,631	38,322	(51,691)	1,280,262
Vehicles	699,663	88,076	(48,903)	738,836
Total Depreciable Capital Assets	24,312,274	135,473	(100,594)	24,347,153
Less Accumulated Depreciation				
Land Improvements	(901,779)	(95,965)	0	(997,744)
Buildings and Building Improvements	(3,955,186)	(429,087)	0	(4,384,273)
Furniture, Fixtures, and Equipment	(627,828)	(74,976)	46,032	(656,772)
Vehicles	(295,397)	(45,784)	48,903	(292,278)
Total Accumulated Depreciation	(5,780,190)	(645,812)	94,935	(6,331,067)
Depreciable Capital Assets, Net	18,532,084	(510,339)	(5,659)	18,016,086
Governmental Activities Capital Assets, Net	\$18,981,071	(\$510,339)	(\$5,659)	\$18,465,073

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$294,535
Special	26,932
Vocational	25,249
Support Services:	
Pupils	8,401
Instructional Staff	20,409
Administration	25,481
Fiscal	12,365
Operation and Maintenance of Plant	108,016
Pupil Transportation	47,158
Non-Instructional Services	28,531
Extracurricular Activities	48,735
Total Depreciation Expense	<u>\$645,812</u>

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 10 - Interfund**

At June 30, 2017, the General Fund had an interfund receivable, in the amount of \$5,887, from other governmental funds for short-term loans made to those funds. All amounts are expected to be repaid within one year.

**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, 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	300,000,000

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 2017, 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 2017, 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 12 - Contractual Commitments**

At fiscal year end, the General Fund had \$3,450 in encumbrances expected to be honored upon performance by the vendor in fiscal year 2018.

**Note 13 - Defined Benefit Pension Plans**

**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 13 - Defined Benefit Pension Plans** (continued)

**Plan Description - School Employees Retirement System (SERS)**

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$81,179 for fiscal year 2017. Of this amount, \$14,280 is reported as an intergovernmental payable.

**Note 13 - Defined Benefit Pension Plans** (continued)

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://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). Benefits are established by Ohio Revised Code Chapter 3307.

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age fifty or later.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.



Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 13 - Defined Benefit Pension Plans** (continued)

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased 1 percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$319,925 for fiscal year 2017. Of this amount, \$53,664 is reported as an intergovernmental payable.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.01876960%	0.02187640%	
Proportion of the Net Pension Liability Current Measurement Date	0.01880070%	0.02168214%	
Change in Proportionate Share	0.00003110%	0.00019426%	
Proportionate Share of the Net Pension Liability	\$1,376,038	\$7,257,665	\$8,633,703
Pension Expense	\$134,446	\$559,897	\$694,343

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 13 - Defined Benefit Pension Plans** (continued)

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences Between Expected and Actual Experience	\$18,560	\$293,245	\$311,805
Changes of Assumptions	91,858	0	91,858
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	113,503	602,581	716,084
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	1,506	99,669	101,175
School District Contributions Subsequent to the Measurement Date	81,179	319,925	401,104
Total Deferred Outflows of Resources	<u>\$306,606</u>	<u>\$1,315,420</u>	<u>\$1,622,026</u>
<b>Deferred Inflows of Resources</b>			
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>\$19,634</u>	<u>\$42,164</u>	<u>\$61,798</u>

\$401,104 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ended June 30,			
2018	\$47,370	\$164,519	\$211,889
2019	47,287	164,518	211,805
2020	78,509	395,746	474,255
2021	32,627	228,548	261,175
Total	<u>\$205,793</u>	<u>\$953,331</u>	<u>\$1,159,124</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 13 - Defined Benefit Pension Plans** (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2016, compared with June 30, 2015, are presented below.

	June 30, 2016	June 30, 2015
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal	entry age normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 13 - Defined Benefit Pension Plans** (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00%</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.5 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$1,821,788	\$1,376,038	\$1,002,926

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75 percent
Projected Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 13 - Defined Benefit Pension Plans** (continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the retirement board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00%	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and, therefore, is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 13 - Defined Benefit Pension Plans** (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	9,644,848	7,257,665	5,243,937

**Changes Between Measurement Date and Report Date**

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's net pension liability is expected to be significant.

**Note 14 - Postemployment Benefits**

**School Employees Retirement System (SERS)**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health care plans from various vendors including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 14 - Postemployment Benefits** (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$9,444.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The School District's contribution for health care for the fiscal years ended June 30, 2017, 2016, and 2015 was \$0, \$0, and \$4,624, respectively. The full amount has been contributed for all three fiscal years.

**State Teachers Retirement System (STRS)**

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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal years ended June 30, 2017, 2016, and 2015, STRS did not allocate any employer contributions to postemployment health care.

**Note 15 - Other Employee Benefits**

**A. Compensated Absences**

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

Holgate Local School District  
Notes to the Basic Financial Statements  
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**Note 15 - Other Employee Benefits** (continued)

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

**B. Health Care Benefits**

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

**Note 16 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17	Amounts Due Within One Year
Governmental Activities					
FY11 Loan Payable 4.5%	\$60,000	\$0	\$15,000	\$45,000	\$15,000
FY06 Loan Payable 5.06%	<u>1,531,000</u>	<u>0</u>	<u>50,000</u>	<u>1,481,000</u>	<u>53,000</u>
Total Loans Payable	<u>1,591,000</u>	<u>0</u>	<u>65,000</u>	<u>1,526,000</u>	<u>68,000</u>
General Obligation Bonds					
FY12 School Facilities Construction and Improvement Refunding Bonds					
Term Bonds 3 %	785,000	0	135,000	650,000	145,000
FY02 School Facilities Construction and Improvement Bonds					
Term Bonds 4.9 - 6 %	<u>965,000</u>	<u>0</u>	<u>0</u>	<u>965,000</u>	<u>0</u>
Total General Obligation Bonds	<u>1,750,000</u>	<u>0</u>	<u>135,000</u>	<u>1,615,000</u>	<u>145,000</u>
Net Pension Liability					
SERS	1,071,011	305,027	0	1,376,038	0
STRS	<u>6,045,998</u>	<u>1,211,667</u>	<u>0</u>	<u>7,257,665</u>	<u>0</u>
Total Net Pension Liability	<u>7,117,009</u>	<u>1,516,694</u>	<u>0</u>	<u>8,633,703</u>	<u>0</u>
Compensated Absences Payable	<u>245,477</u>	<u>8,378</u>	<u>4,828</u>	<u>249,027</u>	<u>28,293</u>
Total Governmental Activities Long-Term Obligations	<u>\$10,703,486</u>	<u>\$1,525,072</u>	<u>\$204,828</u>	<u>\$12,023,730</u>	<u>\$241,293</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, 2017

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**Note 16 - 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 original 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
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, 2017

**Note 16 - 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.

Net Pension Liability - There is no repayment schedule for the net pension liability; however, employer pension contributions are made from the General Fund and the Food Service and Athletic and Music special revenue funds. For additional information related to the net pension liability, see Note 13 to the basic financial statements.

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

The School District's overall debt margin was \$4,176,157 with an unvoted debt margin of \$73,783 at June 30, 2017.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2017, were as follows:

FY 11 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$15,000	\$1,688	\$16,688
2019	15,000	1,013	16,013
2020	15,000	337	15,337
Total	\$45,000	\$3,038	\$48,038

FY 06 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$53,000	\$74,034	\$127,034
2019	56,000	71,260	127,260
2020	58,000	68,358	126,358
2021	61,000	65,330	126,330
2022	64,000	62,149	126,149
2023-2027	372,000	257,148	629,148
2028-2032	473,000	150,027	623,027
2033-2035	344,000	26,825	370,825
Total	\$1,481,000	\$775,131	\$2,256,131

Holgate Local School District  
Notes to the Basic Financial Statements  
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**Note 16 - Long-Term Obligations** (continued)

General Obligation Bonds			
Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$145,000	\$75,225	\$220,225
2019	170,000	68,025	238,025
2020	180,000	57,675	237,675
2021	195,000	46,575	241,575
2022	215,000	34,425	249,425
2023-2025	710,000	35,925	745,925
Total	\$1,615,000	\$317,850	\$1,932,850

**Note 17 - 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:				
Prepaid Items	\$3,830	\$0	\$20	\$3,850
Materials and Supplies				
Inventory	6,626	0	857	7,483
Total Nonspendable	10,456	0	877	11,333
Restricted for:				
Athletics and Music	0	0	15,835	15,835
Debt Retirement	0	631,663	0	631,663
Facilities Maintenance	0	0	190,161	190,161
Food Service Operations	0	0	97,649	97,649
Latchkey	0	0	113	113
Permanent Improvements	0	0	280,719	280,719
Regular Instruction	0	0	977	977
Wellness Program	0	0	1	1
Total Restricted	0	631,663	585,455	1,217,118
Assigned for:				
Educational Activities	15,266	0	0	15,266
Extracurricular Activities	499	0	0	499
Unpaid Obligations	333	0	0	333
Total Assigned	16,098	0	0	16,098
Unassigned (Deficit)	3,940,887	0	(7,965)	3,932,922
Total Fund Balance	\$3,967,441	\$631,663	\$578,367	\$5,177,471

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 18 - 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 2017.

Balance June 30, 2016	\$0
Current Year Set Aside Requirement	80,004
Current Year Offsets	(63,106)
Qualifying Expenditures	(16,898)
Balance June 30, 2017	<u><u>\$0</u></u>

**Note 19 - Interfund Transfers**

During fiscal year 2017, the General Fund and the Bond Retirement debt service fund made transfers to other governmental funds, in the amount of \$921 and \$17,360, to subsidize operations of other funds and make debt payments when due.

**Note 20 - 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 2017, the School District paid \$68,473 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

**Note 20 - 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 21 - 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 22 - 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 23 - 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, 2017.

**B. School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. For fiscal year 2017, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

**C. Litigation**

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

Holgate Local School District  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.01880070%	0.01876960%	0.01941600%	0.01941600%
School District's Proportionate Share of the Net Pension Liability	\$1,376,038	\$1,071,011	\$982,632	\$1,154,607
School District's Employee Payroll	\$587,879	\$563,892	\$525,649	\$508,840
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	234.07%	189.93%	186.94%	226.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is prior fiscal year end.



Holgate Local School District  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02168214%	0.02187640%	0.02127777%	0.02127777%
School District's Proportionate Share of the Net Pension Liability	\$7,257,665	\$6,045,998	\$5,175,490	\$6,165,010
School District's Employee Payroll	\$2,341,921	\$2,278,550	\$2,182,146	\$2,255,469
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	309.90%	265.34%	237.17%	273.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is prior fiscal year end.

Holgate Local School District, Ohio  
 Required Supplementary Information  
 Schedule of the School District's Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$81,179	\$82,303	\$74,321	\$72,855
Contributions in Relation to the Contractually Required Contribution	<u>(81,179)</u>	<u>(82,303)</u>	<u>(74,321)</u>	<u>(72,855)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$579,850	\$587,879	\$563,892	\$525,649
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$70,423	\$68,836	\$61,799	\$67,186	\$49,143	\$48,841
<u>(70,423)</u>	<u>(68,836)</u>	<u>(61,799)</u>	<u>(67,186)</u>	<u>(49,143)</u>	<u>(48,841)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$508,840	\$511,795	\$491,643	\$496,205	\$499,417	\$497,358
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Holgate Local School District, Ohio  
 Required Supplementary Information  
 Schedule of the School District's Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$319,925	\$327,869	\$318,997	\$283,679
Contributions in Relation to the Contractually Required Contribution	<u>(319,925)</u>	<u>(327,869)</u>	<u>(318,997)</u>	<u>(283,679)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,285,179	\$2,341,921	\$2,278,550	\$2,182,146
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$293,211	\$283,730	\$284,653	\$266,532	\$273,719	\$273,085
<u>(293,211)</u>	<u>(283,730)</u>	<u>(284,653)</u>	<u>(266,532)</u>	<u>(273,719)</u>	<u>(273,085)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,255,469	\$2,182,538	\$2,189,638	\$2,050,246	\$2,105,531	\$2,100,654
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Holgate Local School District  
Notes to the Required Supplemental Information  
For the Fiscal Year Ended June 30, 2017

**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below.

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Amounts reported for fiscal year 2017 use morality assumptions that are based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used for the period after disability retirement.

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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The discussion and analysis of Holgate Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

In total, net position increased \$395,578, or 3 percent, from the prior fiscal year.

General revenues accounted for 83 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 2016. 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, 2016  
Unaudited

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In the statement of net position and the statement of activities, all of the School District's activities are reflected as governmental activities including instruction, support services, non-instructional services, and extracurricular activities.

**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 - All 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.

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.

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2016 and fiscal year 2015.

Table 1 Net Position		Governmental Activities	
	2016	2015	Change
<u>Assets:</u>			
Current and Other Assets	\$6,667,818	\$5,955,370	\$712,448
Capital Assets, Net	18,981,071	19,407,709	(426,638)
Total Assets	25,648,889	25,363,079	285,810
 <u>Deferred Outflows of Resources:</u>			
Pension	835,930	451,506	384,424

(continued)



Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Table 1  
Net Position  
(continued)

	Governmental Activities		
	2016	2015	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$548,491	\$535,253	(\$13,238)
Long-Term Liabilities			
Pension	7,117,009	6,158,122	(958,887)
Other Amounts	3,586,477	3,775,294	188,817
Total Liabilities	<u>11,251,977</u>	<u>10,468,669</u>	<u>(783,308)</u>
<u>Deferred Inflows of Resources:</u>			
Pension	499,157	1,116,969	617,812
Other Amounts	1,622,916	1,513,756	(109,160)
Total Deferred Inflows of Resources	<u>2,122,073</u>	<u>2,630,725</u>	<u>508,652</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	15,640,071	15,873,709	(233,638)
Restricted	1,143,595	1,095,668	47,927
Unrestricted (Deficit)	(3,672,897)	(4,254,186)	581,289
Total Net Position	<u>\$13,110,769</u>	<u>\$12,715,191</u>	<u>\$395,578</u>

The net pension liability is the largest liability reported by the School District at June 30, 2016, and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the School District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

Aside from the changes related to pension, there were few changes of note from the prior fiscal year. The increase in current and other assets is primarily related to an increase in cash and cash equivalents in the General Fund despite little change in the General Fund's revenues and expenditures from the prior fiscal year. The decrease in other long-term liabilities is due to annual debt retirement.

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Table 2 reflects the change in net position for fiscal year 2016 and fiscal year 20145.

Table 2  
Change in Net Position

	Governmental Activities		
	2016	2015	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$689,370	\$750,942	(\$61,572)
Operating Grants and Contributions	449,800	526,569	(76,769)
Capital Grants and Contributions	0	15,350	(15,350)
Total Program Revenues	<u>1,139,170</u>	<u>1,292,861</u>	<u>(153,691)</u>
General Revenues			
Property Taxes	1,694,277	1,869,148	(174,871)
Income Taxes	778,432	757,434	20,998
Grants and Entitlements	3,103,012	2,865,124	237,888
Interest	18,270	7,668	10,602
Gifts and Donations	1,600	1,425	175
Miscellaneous	60,633	77,833	(17,200)
Total General Revenues	<u>5,656,224</u>	<u>5,578,632</u>	<u>77,592</u>
Total Revenues	<u>6,795,394</u>	<u>6,871,493</u>	<u>(76,099)</u>
<u>Expenses</u>			
Instruction:			
Regular	3,097,929	2,944,355	(153,574)
Special	488,719	564,231	75,512
Vocational	105,707	99,601	(6,106)
Support Services:			
Pupils	256,317	297,341	41,024
Instructional Staff	60,321	147,915	87,594
Board of Education	25,523	14,189	(11,334)
Administration	525,324	569,736	44,412
Fiscal	259,130	208,808	(50,322)
Business	6,488	7,508	1,020
Operation and Maintenance of Plant	454,183	477,859	23,676
Pupil Transportation	233,457	245,733	12,276
Central	169,844	167,196	(2,648)

(continued)

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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Table 2  
Change in Net Position  
(continued)

	Governmental Activities		
	2016	2015	Change
Non-Instructional Services	\$249,562	\$270,491	\$20,929
Extracurricular Activities	298,201	349,498	51,297
Interest and Fiscal Charges	169,111	175,754	6,643
Total Expenses	6,399,816	6,540,215	140,399
Increase in Net Position	395,578	331,278	64,300
Net Position Beginning of Year	12,715,191	12,383,913	331,278
Net Position End of Year	13,110,769	\$12,715,191	395,578

Overall revenues had a very modest decrease from the prior fiscal year (1 percent); however, there were a number of changes within specific revenue sources. The decrease in charges for services is related to athletic program charges (high school cheer nationals in the prior fiscal year) and the decrease in restricted operating grants and contributions is related to a reduction in some federal grant funding for the current fiscal year. For general revenues, the decrease in property tax revenue is largely due to there being less tax revenue collected by the County Auditor that was available to be advanced to the School District at fiscal year end. This amount fluctuates due the timing of when taxpayers pay their property taxes as taxpayers have the option of paying their taxes in full early in the year or to pay half early in the year with a second payment made mid-year. The increase in unrestricted grants and entitlements is the result of an increase in State foundation resources.

Governmental activities expenses also remained fairly similar to the prior fiscal year with the most significant changes reflected in regular instruction as salaries continued to increase per the negotiated agreement and decreases in the special instruction and instructional staff programs due to a reduction in purchased services such as disability services and paraprofessionals. The major program expense for governmental activities, as expected, continues to be for direct instruction which accounts for 58 percent of all governmental expenses.

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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	
	2016	2015	2016	2015
<b>Instruction:</b>				
Regular	\$3,097,929	\$2,944,355	\$2,595,992	\$2,440,460
Special	488,719	564,231	204,354	271,831
Vocational	105,707	99,601	82,013	57,272
<b>Support Services:</b>				
Pupils	256,317	297,341	250,033	287,229
Instructional Staff	60,321	147,915	60,321	147,915
Board of Education	25,523	14,189	25,523	14,189
Administration	525,324	569,736	525,324	569,736
Fiscal	259,130	208,808	256,708	187,360
Business	6,488	7,508	6,488	7,508
Operation and Maintenance of Plant	454,183	477,859	454,183	477,859
Pupil Transportation	233,457	245,733	223,734	235,812
Central	169,844	167,196	166,244	163,596
Non-Instructional Services	249,562	270,491	30,683	24,836
Extracurricular Activities	298,201	349,498	209,935	185,997
Interest and Fiscal Charges	169,111	175,754	169,111	175,754
<b>Total Expenses</b>	<b>\$6,399,816</b>	<b>\$6,540,215</b>	<b>\$5,260,646</b>	<b>\$5,247,354</b>

The above table demonstrates that the dependence on tax revenues and unrestricted state entitlements is considerable with 82 percent of all programs supported by these revenue sources. Approximately 78 percent of instruction activities are supported through taxes and other general revenues. Several programs, however, receive substantial support through program revenues. Approximately 58 percent of special instruction costs are provided for through programs 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 30 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, 2016  
Unaudited

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**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund increased 20 percent. Both revenues and expenditures had modest increases of 2 percent and 1 percent, respectively, allowing revenues to continue to exceed expenditures.

The increase in fund balance in the Bond Retirement fund was approximately 2 percent as property taxes and related revenues continue to exceed debt service requirements.

**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 2016, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. For expenditures, the decrease from the original budget to the final budget was almost 6 percent due to conservative budgeting while changes from the final budget to actual expenditures were not significant.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2016, the School District had \$18,981,071 invested in capital assets (net of accumulated depreciation). The most significant additions for the fiscal year was a building control system upgrade, security equipment, cameras for school buses, a tractor, and a school bus. Disposals consisted mostly of computers and a tractor. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

**Debt**

The School District's outstanding debt at fiscal year end included long-term loans, in the amount of \$1,591,000, and general obligation bonds, in the amount of \$1,750,000. The School District's long-term obligations also include the net pension liability and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

**Current Issues**

While the School District's current five-year forecast reflects positive balances for fiscal years 2016 through 2020, the School District will be deficit spending beginning in fiscal year 2019.

The School District's current contract with the teachers' union covers the period from September 1, 2014, through August 31, 2018. The contract provides for base salary and step increases in each year of the contract.

Holgate Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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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 Kent Seemann, Treasurer, Holgate Local School District, 801 East Joe E. Brown Avenue, Holgate, Ohio 43527.

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Holgate Local School District  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,434,888
Accounts Receivable	1,795
Accrued Interest Receivable	8,577
Intergovernmental Receivable	3,333
Inventory Held for Resale	4,120
Materials and Supplies Inventory	9,653
Property Taxes Receivable	1,908,666
Income Taxes Receivable	296,786
Nondepreciable Capital Assets	448,987
Depreciable Capital Assets, Net	18,532,084
Total Assets	25,648,889
 <u>Deferred Outflows of Resources:</u>	
Pension	835,930
 <u>Liabilities:</u>	
Accounts Payable	2,940
Accrued Wages and Benefits Payable	435,121
Intergovernmental Payable	96,923
Accrued Interest Payable	13,507
Long-Term Liabilities:	
Due Within One Year	210,929
Due in More Than One Year	
Net Pension Liability	7,117,009
Other Amounts Due in More Than One Year	3,375,548
Total Liabilities	11,251,977
 <u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	1,622,916
Pension	499,157
Total Deferred Inflows of Resources	2,122,073
 <u>Net Position:</u>	
Net Investment in Capital Assets	15,640,071
Restricted For:	
Debt Service	591,240
Capital Projects	243,120
Other Purposes	309,235
Unrestricted (Deficit)	(3,672,897)
Total Net Position	\$13,110,769

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2016

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$3,097,929	\$468,822	\$33,115
Special	488,719	0	284,365
Vocational	105,707	0	23,694
Support Services:			
Pupils	256,317	5,463	821
Instructional Staff	60,321	0	0
Board of Education	25,523	0	0
Administration	525,324	0	0
Fiscal	259,130	2,422	0
Business	6,488	0	0
Operation and Maintenance of Plant	454,183	0	0
Pupil Transportation	233,457	9,540	183
Central	169,844	0	3,600
Non-Instructional Services	249,562	114,857	104,022
Extracurricular Activities	298,201	88,266	0
Interest and Fiscal Charges	169,111	0	0
Total Governmental Activities	6,399,816	689,370	449,800

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

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Governmental  
Activities

---

(\$2,595,992)  
(\$204,354)  
(\$82,013)

(\$250,033)  
(\$60,321)  
(\$25,523)  
(\$525,324)  
(\$256,708)  
(\$6,488)  
(\$454,183)  
(\$223,734)  
(\$166,244)  
(\$30,683)  
(\$209,935)  
(\$169,111)  

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(5,260,646)

1,319,340  
12,497  
329,404  
33,036  
778,432  
3,103,012  
18,270  
1,600  
60,633  

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5,656,224

395,578

12,715,191  

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\$13,110,769

Holgate Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,332,788	\$555,512	\$546,588	\$4,434,888
Accounts Receivable	1,795	0	0	1,795
Accrued Interest Receivable	8,577	0	0	8,577
Interfund Receivable	109	0	0	109
Intergovernmental Receivable	3,010	0	323	3,333
Inventory Held for Resale	0	0	4,120	4,120
Materials and Supplies Inventory	8,686	0	967	9,653
Property Taxes Receivable	1,476,203	354,762	77,701	1,908,666
Income Taxes Receivable	296,786	0	0	296,786
Total Assets	<u>\$5,127,954</u>	<u>\$910,274</u>	<u>\$629,699</u>	<u>\$6,667,927</u>
<u>Liabilities:</u>				
Accounts Payable	\$2,925	\$0	\$15	\$2,940
Accrued Wages and Benefits Payable	421,863	0	13,258	435,121
Interfund Payable	0	0	109	109
Intergovernmental Payable	93,195	0	3,728	96,923
Total Liabilities	<u>517,983</u>	<u>0</u>	<u>17,110</u>	<u>535,093</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes Receivable	1,265,628	305,527	51,761	1,622,916
Unavailable Revenue	101,774	11,387	6,764	119,925
Total Deferred Inflows of Resources	<u>1,367,402</u>	<u>316,914</u>	<u>58,525</u>	<u>1,742,841</u>
<u>Fund Balances:</u>				
Nonspendable	8,686	0	967	9,653
Restricted	0	593,360	553,097	1,146,457
Assigned	43,250	0	0	43,250
Unassigned	3,190,633	0	0	3,190,633
Total Fund Balances	<u>3,242,569</u>	<u>593,360</u>	<u>554,064</u>	<u>4,389,993</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$5,127,954</u>	<u>\$910,274</u>	<u>\$629,699</u>	<u>\$6,667,927</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, 2016

Total Governmental Fund Balances		\$4,389,993
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		18,981,071
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	1,795	
Accrued Interest Receivable	2,220	
Intergovernmental Receivable	323	
Delinquent Property Taxes Receivable	66,763	
Income Taxes Receivable	48,824	
		119,925
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(13,507)	
Loans Payable	(1,591,000)	
General Obligation Bonds Payable	(1,750,000)	
Compensated Absences Payable	(245,477)	
		(3,599,984)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.		
Deferred Outflows	835,930	
Deferred Inflows	(499,157)	
Net Pension Liability	(7,117,009)	
		(6,780,236)
Net Position of Governmental Activities		\$13,110,769

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, 2016

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$1,328,245	\$331,818	\$49,176	\$1,709,239
Income Taxes	776,312	0	0	776,312
Intergovernmental	3,167,090	57,124	328,275	3,552,489
Interest	16,893	0	44	16,937
Tuition and Fees	480,790	0	5,463	486,253
Charges for Services	2,422	0	114,857	117,279
Extracurricular Activities	3,430	0	84,836	88,266
Gifts and Donations	1,600	0	0	1,600
Miscellaneous	55,041	0	4,632	59,673
<b>Total Revenues</b>	<b>5,831,823</b>	<b>388,942</b>	<b>587,283</b>	<b>6,808,048</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,806,323	0	20,334	2,826,657
Special	294,797	0	168,268	463,065
Vocational	89,206	0	0	89,206
<b>Support Services:</b>				
Pupils	240,004	0	8,629	248,633
Instructional Staff	38,817	0	1,151	39,968
Board of Education	25,523	0	0	25,523
Administration	505,508	0	0	505,508
Fiscal	227,881	14,688	1,827	244,396
Business	6,488	0	0	6,488
Operation and Maintenance of Plant	421,646	0	28,292	449,938
Pupil Transportation	294,551	0	0	294,551
Central	170,440	0	3,600	174,040
Non-Instructional Services	0	0	224,400	224,400
Extracurricular Activities	161,809	0	88,091	249,900
<b>Debt Service:</b>				
Principal Retirement	0	178,000	15,000	193,000
Interest and Fiscal Charges	0	166,650	3,046	169,696
<b>Total Expenditures</b>	<b>5,282,993</b>	<b>359,338</b>	<b>562,638</b>	<b>6,204,969</b>
<b>Excess of Revenues Over Expenditures</b>	<b>548,830</b>	<b>29,604</b>	<b>24,645</b>	<b>603,079</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	0	18,046	18,046
Transfers Out	0	(18,046)	0	(18,046)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(18,046)</b>	<b>18,046</b>	<b>0</b>
<b>Changes in Fund Balances</b>	<b>548,830</b>	<b>11,558</b>	<b>42,691</b>	<b>603,079</b>
<b>Fund Balances at Beginning of Year</b>	<b>2,693,739</b>	<b>581,802</b>	<b>511,373</b>	<b>3,786,914</b>
<b>Fund Balances at End of Year</b>	<b>\$3,242,569</b>	<b>\$593,360</b>	<b>\$554,064</b>	<b>\$4,389,993</b>

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, 2016

Changes in Fund Balances - Total Governmental Funds \$603,079

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

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

Capital Outlay - Depreciable Capital Assets	218,811	
Depreciation	(636,823)	
		(418,012)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a gain or a loss on disposal of capital assets on the statement of activities.

Gain on Disposal of Capital Assets	960	
Loss on Disposal of Capital Assets	(9,586)	
		(8,626)

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

Delinquent Property Taxes	(14,962)	
Income Taxes	2,120	
Intergovernmental	323	
Interest	1,333	
Tuition and Fees	(2,428)	
		(13,614)

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net position. 193,000

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position. 585

Compensated absences 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. (4,183)

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities. (366,823)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows or a reduction of the liability. 410,172

Change in Net Position of Governmental Activities \$395,578

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Revenues:</u>				
Property Taxes	\$1,428,150	\$1,414,624	\$1,414,168	(\$456)
Income Taxes	764,500	772,718	772,718	0
Intergovernmental	2,903,000	3,149,155	3,164,080	14,925
Interest	7,000	7,000	9,632	2,632
Tuition and Fees	491,125	479,827	480,827	1,000
Charges for Services	1,600	2,422	2,422	0
Extracurricular Activities	7,135	3,430	3,430	0
Gifts and Donations	1,500	1,500	1,600	100
Miscellaneous	52,248	45,520	45,745	225
Total Revenues	<u>5,656,258</u>	<u>5,876,196</u>	<u>5,894,622</u>	<u>18,426</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,886,921	2,773,369	2,789,170	(15,801)
Special	401,722	310,223	292,097	18,126
Vocational	125,289	105,811	107,631	(1,820)
Support Services:				
Pupils	312,956	248,993	241,716	7,277
Instructional Staff	41,718	39,456	38,880	576
Board of Education	16,480	27,362	25,501	1,861
Administration	558,170	526,727	501,644	25,083
Fiscal	231,349	239,519	231,169	8,350
Business	6,500	7,063	7,063	0
Operation and Maintenance of Plant	474,350	441,025	425,827	15,198
Pupil Transportation	314,472	324,696	293,672	31,024
Central	170,325	173,185	172,454	731
Extracurricular Activities	169,425	170,855	162,262	8,593
Total Expenditures	<u>5,709,677</u>	<u>5,388,284</u>	<u>5,289,086</u>	<u>99,198</u>
Excess of Revenues Over (Under) Expenditures	<u>(53,419)</u>	<u>487,912</u>	<u>605,536</u>	<u>117,624</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	2,500	7,596	9,296	1,700
Refund of Prior Year Receipts	0	(4,632)	(4,632)	0
Advances Out	0	(109)	(109)	0
Transfers Out	(20,000)	0	0	0
Total Other Financing Sources (Uses)	<u>(17,500)</u>	<u>2,855</u>	<u>4,555</u>	<u>1,700</u>
Changes in Fund Balance	(70,919)	490,767	610,091	119,324
Fund Balance at Beginning of Year	2,647,478	2,647,478	2,647,478	0
Prior Year Encumbrances Appropriated	42,499	42,499	42,499	0
Fund Balance at End of Year	<u>\$2,619,058</u>	<u>\$3,180,744</u>	<u>\$3,300,068</u>	<u>\$119,324</u>

See Accompanying Notes to the Basic Financial Statements



Holgate Local School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$124,543	\$12,409
<u>Liabilities:</u>		
Due to Students	0	\$12,409
<u>Net Position:</u>		
Held in Trust for Scholarships	\$124,543	

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, 2016

Additions:

Interest \$133

Deductions:

Non-Instructional Services 500

Change in Net Position (367)

Net Position at Beginning of Year 124,910

Net Position at End of Year \$124,543

See Accompanying Notes to the Basic Financial Statements

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Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**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. It is staffed by twenty-four classified employees, thirty-eight certified teaching personnel, and four administrative employees who provide services to four hundred seventy-eight students and other community members. The School District currently operates one instructional building.

**Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to 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., the 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 20, 21, and 22 to the basic financial statements.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**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). However, the School District has no business-type activities.

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. 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 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 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

**B. Fund Accounting**

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

**Governmental Funds**

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

**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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**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.

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; 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 outflows and 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, 2016

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**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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and explained in Note 13 to the basic financial statements.

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 until that time. For the School District, deferred inflows of resources consists of property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 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, intergovernmental revenue including grants, 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. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 13 to the basic financial statements.

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.



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

**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.

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 2016, investments included nonnegotiable certificates of deposit, negotiable certificates of deposit, and mutual funds. Investments are reported at fair value, which is based on quoted market price or current share price, except for 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 2016 was \$16,893, which includes \$4,202 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

**G. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expended/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 acquisition 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.

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. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from interfund loans and for services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

**J. 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

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.

**K. 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, net pension liability and 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.

**L. 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.

**M. 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

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. The Board of Education has also assigned certain resources for educational activities.

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.

**N. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

**O. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**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 - Change in Accounting Principles**

For fiscal year 2016, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 76, "Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 82, "Pension Issues-an Amendment of GASB Statements No. 67, No. 69, and No. 73".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this statement did not result in any changes to the School District's financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 4 - Budgetary Basis of Accounting**

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

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

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

Changes in Fund Balance

GAAP Basis	\$548,830
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2015, Received in Cash FY 2016	492,769
Accrued FY 2016, Not Yet Received in Cash	(419,078)
Expenditure Accruals:	
Accrued FY 2015, Paid in Cash FY 2016	(502,794)
Accrued FY 2016, Not Yet Paid in Cash	517,983
Cash Adjustments:	
Unrecorded Activity FY 2015	108
Unrecorded Activity FY 2016	(1,813)
Materials and Supplies Inventory	4,993
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(30,907)
Budget Basis	\$610,091

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 5 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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 and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$436,933 of the School District's bank balance of \$1,390,202 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.

Investments

Investments are reported at fair value. As of June 30, 2016, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>
Fair Value		
Negotiable Certificates of Deposit	\$16,002	8/15/16
Negotiable Certificates of Deposit	496,067	8/19/16
Negotiable Certificates of Deposit	248,045	8/25/16
Negotiable Certificates of Deposit	248,055	8/26/16
Negotiable Certificates of Deposit	124,048	12/9/16
Negotiable Certificates of Deposit	248,335	2/24/17
Negotiable Certificates of Deposit	248,337	2/28/17
Negotiable Certificates of Deposit	496,243	5/10/17
Negotiable Certificates of Deposit	248,174	5/11/17
Negotiable Certificates of Deposit	248,035	6/21/17
Negotiable Certificates of Deposit	248,007	6/22/17
Mutual Funds	354,405	44 days
Total Investments	<u>\$3,223,753</u>	



Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

The School District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the School District.

The negotiable certificates of deposit are covered by FDIC and/or SIPC insurance. The mutual fund carries a rating of AAA by Moody's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

The School District places no limit on the amount it may invest in any one issuer or investment type. The following table indicates the percentage of investments to the School District's total portfolio:

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$2,869,348	89%

**Note 6 - Receivables**

Receivables at June 30, 2016, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, 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	\$3,010
Other Governmental Funds	
Title I	323
Total Governmental Activities	\$3,333

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 7 - Property Taxes**

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

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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Henry County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 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, 2016, 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, 2016, was \$161,640 in the General Fund, \$6,826 in the Classroom Maintenance special revenue fund, \$37,848 in the Bond Retirement debt service fund, and \$12,674 in the Permanent Improvements capital projects fund. The amount available as an advance at June 30, 2015, was \$247,563 in the General Fund, \$10,275 in the Classroom Maintenance special revenue fund, \$57,653 in the Bond Retirement debt service fund, and \$30,503 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

The assessed values upon which fiscal year 2016 taxes were collected are:

	<u>2015 Second- Half Collections</u>		<u>2016 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$71,294,220	93.64%	\$71,059,360	93.52%
Industrial/Commercial	2,421,990	3.18	2,399,280	3.16
Public Utility	<u>2,423,090</u>	<u>3.18</u>	<u>2,524,620</u>	<u>3.32</u>
Total Assessed Value	<u>\$76,139,300</u>	<u>100.00%</u>	<u>\$75,983,260</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.53		\$37.50	

**Note 8 - Income Taxes**

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

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance at 6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/16</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	<u>\$448,987</u>	<u>\$0</u>	<u>\$0</u>	<u>\$448,987</u>
Depreciable Capital Assets				
Land Improvements	2,108,813	0	0	2,108,813
Buildings and Building Improvements	20,141,152	69,015	0	20,210,167
Furniture, Fixtures, and Equipment	1,319,038	66,699	(92,106)	1,293,631
Vehicles	<u>640,869</u>	<u>87,897</u>	<u>(29,103)</u>	<u>699,663</u>
Total Depreciable Capital Assets	<u>24,209,872</u>	<u>223,611</u>	<u>(121,209)</u>	<u>24,312,274</u>

(continued)

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 9 - Capital Assets** (continued)

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$806,066)	(\$95,713)	\$0	(\$901,779)
Buildings and Building Improvements	(3,527,932)	(427,254)	0	(3,955,186)
Furniture, Fixtures, and Equipment	(632,076)	(74,432)	78,680	(627,828)
Vehicles	(285,076)	(39,424)	29,103	(295,397)
Total Accumulated Depreciation	(5,251,150)	(636,823)	107,783	(5,780,190)
Depreciable Capital Assets, Net	18,958,722	(413,212)	(13,426)	18,532,084
Governmental Activities Capital Assets, Net	\$19,407,709	(\$413,212)	(\$13,426)	\$18,981,071

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$294,939
Special	26,932
Vocational	24,217
Support Services:	
Pupils	8,401
Instructional Staff	20,409
Administration	25,481
Fiscal	12,334
Operation and Maintenance of Plant	106,520
Pupil Transportation	40,510
Non-Instructional Services	28,445
Extracurricular Activities	48,635
Total Depreciation Expense	<u>\$636,823</u>

**Note 10 - Interfund**

At June 30, 2016, the General Fund had an interfund receivable, in the amount of \$109, from other governmental funds for short-term loans made to those funds. All amounts are expected to be repaid within one year.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, 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	200,100,000

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 2016, 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 2016, 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 12 - Contractual Commitments**

At fiscal year end, the General Fund had \$30,907 in encumbrances expected to be honored upon performance by the vendor in fiscal year 2017.

### **Note 13 - Defined Benefit Pension Plans**

#### **Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

#### **Plan Description - School Employees Retirement System (SERS)**

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Holgate Local School District  
Notes to the Basic Financial Statements  
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**Note 13 - Defined Benefit Pension Plans** (continued)

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts 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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$82,303 for fiscal year 2016. Of this amount, \$14,280 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://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). Benefits are established by Ohio Revised Code Chapter 3307.

Holgate Local School District  
Notes to the Basic Financial Statements  
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**Note 13 - Defined Benefit Pension Plans** (continued)

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 11 percent of the 12 percent member rate goes to the DCP and 1 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased 1 percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.



Holgate Local School District  
Notes to the Basic Financial Statements  
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**Note 13 - Defined Benefit Pension Plans** (continued)

The School District's contractually required contribution to STRS was \$327,869 for fiscal year 2016. Of this amount, \$59,840 is reported as an intergovernmental payable.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.01941600%	0.02127770%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.01876960%</u>	<u>0.02187640%</u>	
Change in Proportionate Share	<u>(0.00064640%)</u>	<u>0.00059870%</u>	
Proportionate Share of the Net Pension Liability	\$1,071,011	\$6,045,998	\$7,117,009
Pension Expense	\$58,670	\$308,153	\$366,823

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences Between Expected and Actual Experience	\$17,245	\$275,621	\$292,866
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	0	132,892	132,892
School District Contributions Subsequent to the Measurement Date	<u>82,303</u>	<u>327,869</u>	<u>410,172</u>
Total Deferred Outflows of Resources	<u>\$99,548</u>	<u>\$736,382</u>	<u>\$835,930</u>
<b>Deferred Inflows of Resources</b>			
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$35,485	\$434,821	\$470,306
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>28,851</u>	<u>0</u>	<u>28,851</u>
Total Deferred Inflows of Resources	<u>\$64,336</u>	<u>\$434,821</u>	<u>\$499,157</u>

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 13 - Defined Benefit Pension Plans** (continued)

\$410,172 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2017	(\$22,103)	(\$64,902)	(\$87,005)
2018	(22,103)	(64,902)	(87,005)
2019	(22,185)	(64,902)	(87,087)
2020	19,300	168,398	187,698
Total	(\$47,091)	(\$26,308)	(\$73,399)

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2015, are presented below.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

Holgate Local School District  
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For the Fiscal Year Ended June 30, 2016

**Note 13 - Defined Benefit Pension Plans** (continued)

For postretirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes. The target allocation and the long-term expected real rate of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.00%
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 13 - Defined Benefit Pension Plans** (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$1,485,108	\$1,071,011	\$722,308

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75 percent
Projected Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study effective July 1, 2012.

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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 13 - Defined Benefit Pension Plans** (continued)

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the retirement board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return *
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00%	

10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$8,398,346	\$6,045,998	\$4,056,735

**Note 14 - Postemployment Benefits**

**School Employees Retirement System (SERS)**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$9,347.

The School District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 was \$0, \$4,624, and \$779, respectively. The full amount has been contributed for all three fiscal years.

**State Teachers Retirement System (STRS)**

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

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 14 - Postemployment Benefits** (continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016, and June 30, 2015, STRS did not allocate any employer contributions to postemployment health care. For the fiscal year ended June 30, 2014, 1 percent of covered payroll was allocated to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$21,821 respectively. The full amount has been contributed for all three fiscal years.

**Note 15 - 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 16 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16	Amounts Due Within One Year
Governmental Activities					
FY11 Loan Payable 4.5%	\$75,000	\$0	\$15,000	\$60,000	\$15,000
FY06 Loan Payable 5.06%	1,579,000	0	48,000	1,531,000	50,000
Total Loans Payable	<u>1,654,000</u>	<u>0</u>	<u>63,000</u>	<u>1,591,000</u>	<u>65,000</u>

(continued)

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 16 - Long-Term Obligations** (continued)

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16	Amounts Due Within One Year
Governmental Activities (continued)					
General Obligation Bonds					
FY12 School Facilities Construction and Improvement Refunding Bonds					
Term Bonds 3 %	\$915,000	\$0	\$130,000	\$785,000	\$135,000
FY02 School Facilities Construction and Improvement Bonds					
Term Bonds 4.9 - 6 %	965,000	0	0	965,000	0
Total General Obligation Bonds	<u>1,880,000</u>	<u>0</u>	<u>130,000</u>	<u>1,750,000</u>	<u>135,000</u>
Net Pension Liability					
SERS	982,632	88,379	0	1,071,011	0
STRS	5,175,490	870,508	0	6,045,998	0
Total Net Pension Liability	<u>6,158,122</u>	<u>958,887</u>	<u>0</u>	<u>7,117,009</u>	<u>0</u>
Compensated Absences Payable	<u>241,294</u>	<u>38,065</u>	<u>33,882</u>	<u>245,477</u>	<u>10,929</u>
Total Governmental Activities Long-Term Obligations	<u>\$9,933,416</u>	<u>\$996,952</u>	<u>\$226,882</u>	<u>\$10,703,486</u>	<u>\$210,929</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.

FY 12 School Facilities Construction and Improvement Refunding Bonds - On January 12, 2012, the School District issued current refunding general obligation bonds, in the original 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.



Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 16 - Long-Term Obligations** (continued)

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
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.

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

The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 13 to the basic financial statements.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 16 - Long-Term Obligations** (continued)

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

The School District's overall debt margin was \$3,932,093 with an unvoted debt margin of \$73,553 at June 30, 2016.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2016, were as follows:

FY 11 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
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	\$60,000	\$5,400	\$65,400

FY 06 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$50,000	\$76,655	\$126,655
2018	53,000	74,034	127,034
2019	56,000	71,260	127,260
2020	58,000	68,358	126,358
2021-2025	337,000	293,210	630,210
2026-2030	430,000	195,965	625,965
2031-2035	547,000	72,304	619,304
Total	\$1,531,000	\$851,786	\$2,382,786

General Obligation Bonds			
Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$135,000	\$79,425	\$214,425
2018	145,000	75,225	220,225
2019	170,000	68,025	238,025
2020	180,000	57,675	237,675
2021-2025	1,120,000	116,925	1,236,925
Total	\$1,750,000	\$397,275	\$2,147,275

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 17 - 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	\$8,686	\$0	\$967	\$9,653
Restricted for:				
Athletics and Music	0	0	19,927	19,927
Debt Retirement	0	593,360	0	593,360
Facilities Maintenance	0	0	185,304	185,304
Food Service Operations	0	0	107,127	107,127
Latchkey	0	0	931	931
Permanent Improvements	0	0	238,831	238,831
Regular Instruction	0	0	977	977
Total Restricted	0	593,360	553,097	1,146,457
Assigned for:				
Educational Activities	15,260	0	0	15,260
Extracurricular Activities	171	0	0	171
Unpaid Obligations	27,819	0	0	27,819
Total Assigned	43,250	0	0	43,250
Unassigned (Deficit)	3,190,633	0	0	3,190,633
Total Fund Balance	\$3,242,569	\$593,360	\$554,064	\$4,389,993

**Note 18 - 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 2016.

Balance June 30, 2015	\$0
Current Year Set Aside Requirement	81,342
Current Year Offsets	(62,100)
Qualifying Expenditures	(19,242)
Balance June 30, 2016	\$0

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 19 - Interfund Transfers**

During fiscal year 2016, the Bond Retirement debt service fund made a transfer to other governmental funds, in the amount of \$18,046, as debt payments became due.

**Note 20 - 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 2016, the School District paid \$86,185 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

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

**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.

**Note 20 - Jointly Governed Organizations** (continued)

**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 21 - 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.

Holgate Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 22 - 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 23 - 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, 2016.

**B. School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

**C. Litigation**

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

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Holgate Local School District  
Required Supplementary Information  
Schedule of the School District's Proportionate Share of the Net Pension Liability  
School Employees Retirement System of Ohio  
Last Three Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.01876960%	0.01941600%	0.01941600%
School District's Proportionate Share of the Net Pension Liability	\$1,071,011	\$982,632	\$1,154,607
School District's Covered Employee Payroll	\$563,892	\$525,649	\$508,840
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	189.93%	186.94%	226.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is prior fiscal year end.



Holgate Local School District  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Three Fiscal Years (1)

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02187640%	0.02127777%	0.02127777%
School District's Proportionate Share of the Net Pension Liability	\$6,045,998	\$5,175,490	\$6,165,010
School District's Covered Employee Payroll	\$2,278,550	\$2,182,146	\$2,255,469
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	265.34%	237.17%	273.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is prior fiscal year end.

Holgate Local School District, Ohio  
 Required Supplementary Information  
 Schedule of the School District's Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$82,303	\$74,321	\$72,855	\$70,423
Contributions in Relation to the Contractually Required Contribution	<u>(82,303)</u>	<u>(74,321)</u>	<u>(72,855)</u>	<u>(70,423)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Employee Payroll	\$587,879	\$563,892	\$525,649	\$508,840
Contributions as a Percentage of Covered Employee Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$68,836	\$61,799	\$67,186	\$49,143	\$48,841	\$46,054
<u>(68,836)</u>	<u>(61,799)</u>	<u>(67,186)</u>	<u>(49,143)</u>	<u>(48,841)</u>	<u>(46,054)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$511,795	\$491,643	\$496,205	\$499,417	\$497,358	\$431,217
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Holgate Local School District, Ohio  
 Required Supplementary Information  
 Schedule of the School District's Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$327,869	\$318,997	\$283,679	\$293,211
Contributions in Relation to the Contractually Required Contribution	<u>(327,869)</u>	<u>(318,997)</u>	<u>(283,679)</u>	<u>(293,211)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Employee Payroll	\$2,341,921	\$2,278,550	\$2,182,146	\$2,255,469
Contributions as a Percentage of Covered Employee Payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$283,730	\$284,653	\$266,532	\$273,719	\$273,085	\$269,393
<u>(283,730)</u>	<u>(284,653)</u>	<u>(266,532)</u>	<u>(273,719)</u>	<u>(273,085)</u>	<u>(269,393)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,182,538	\$2,189,638	\$2,050,246	\$2,105,531	\$2,100,654	\$2,072,254
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio (the School District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 17, 2018.

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

As part of our financial statement audit, we considered the School 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 School 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 School 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 School 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report 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

April 17, 2018

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# 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  
MAY 10, 2018**