

**HOLGATE LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**FINANCIAL STATEMENTS**  
*Year Ended June 30, 2009*





Mary Taylor, CPA  
Auditor of State

Board of Education  
Holgate Local School District  
801 E. Joe E. Brown Ave  
Holgate, Ohio 43527

We have reviewed the *Independent Auditor's Report* of the Holgate Local School District, Henry County, prepared by Steyer & Co., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 2, 2010

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# STEYER & CO.

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Holgate Local School District  
Holgate, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio, (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Holgate Local School District, as of June 30, 2009, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2009, on our consideration of Holgate Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Steyer & Co." in a cursive script.

STEYER & CO.  
Certified Public Accountants

Defiance, Ohio  
November 17, 2009

**HOLGATE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

The discussion and analysis of the Holgate Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2009 are as follows:

In total, net assets decreased \$141,594, or less than 1 percent, from the prior fiscal year.

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

**Using the Basic Financial Statements**

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

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds, with all other non-major funds presented in total in a single column. For Holgate Local School District, the General Fund, the Bond Retirement debt service fund, and the Permanent Improvements capital projects fund are the most significant funds.

**Reporting the District as a Whole**

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the 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. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the District's activities are presented as governmental activities.

All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

**HOLGATE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

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

Fund Financial Statements

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

Governmental Funds

All of the 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 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 District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2009 compared to fiscal year 2008.

**Table 1  
Net Assets  
Governmental Activities**

<u>Assets:</u>	2009	2008	Change
Current and Other Assets	\$ 4,797,816	\$ 5,660,425	\$ (862,609)
Capital Assets, Net	20,417,134	20,805,766	(388,632)
Total Assets	<u>25,214,950</u>	<u>26,466,191</u>	<u>(1,251,241)</u>
 <u>Liabilities:</u>			
Current and Other Liabilities	1,729,488	2,744,362	1,014,874
Long-Term Liabilities	4,610,366	4,705,139	94,773
Total Liabilities	<u>6,339,854</u>	<u>7,449,501</u>	<u>1,109,647</u>
 <u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	16,045,776	16,376,766	(330,990)
Restricted	1,101,166	1,051,642	49,524
Unrestricted	1,728,154	1,588,282	139,872
Total Net Assets	<u>\$ 18,875,096</u>	<u>\$ 19,016,690</u>	<u>\$ (141,594)</u>

**HOLGATE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

Although the overall change in net assets was less than 1 percent, there were a couple items of note as identified in the above table. The decrease in both current and other assets as well as current and other liabilities is the result of finalization of the District's construction project with the Ohio School Facilities Commission.

Table 2 reflects the changes in net assets for fiscal year 2009 compared to fiscal year 2008.

**Table 2  
Change in Net Assets  
Governmental Activities**

<u>Revenues:</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
<b>Program Revenues:</b>			
Charges for Services	\$ 649,730	\$ 618,332	\$ 31,398
Operating Grants, Contributions, and Interest	515,403	528,308	(12,905)
Capital Grants and Contributions	6,502	1,630,732	(1,624,230)
<b>Total Program Revenues</b>	<b>1,171,635</b>	<b>2,777,372</b>	<b>(1,605,737)</b>
<b>General Revenues:</b>			
Property Taxes Levied for General Purposes	888,602	704,812	183,790
Property Taxes Levied from Classroom Maintenance	16,596	15,429	1,167
Property Taxes Levied for Debt Service	358,530	279,283	79,247
Property Taxes Levied for Permanent Improvements	65,713	55,127	10,586
Income Taxes	665,844	706,207	(40,363)
Payment in Lieu of Taxes	1,587	1,586	1
Grants and Entitlements	2,488,228	2,426,010	62,218
Gifts and Donations	1,727	3,565	(1,838)
Interest	71,501	146,088	(74,587)
Miscellaneous	54,810	52,168	2,642
<b>Total General Revenues</b>	<b>4,613,138</b>	<b>4,390,275</b>	<b>222,863</b>
<b>Total Revenues</b>	<b>5,784,773</b>	<b>7,167,647</b>	<b>(1,382,874)</b>
<b>Expenses:</b>			
<b>Instruction:</b>			
Regular	2,671,702	2,852,994	181,292
Special	505,893	485,372	(20,521)
Vocational	115,434	92,218	(23,216)
<b>Support Services:</b>			
Pupils	236,462	237,143	681
Instructional Staff	177,007	170,179	(6,828)
Board of Education	18,312	14,430	(3,882)
Administration	553,978	537,466	(16,512)

**HOLGATE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

Fiscal	164,523	171,713	7,190
Business	8,151	7,404	(747)
Operation and Maintenance of Plant	464,021	359,614	(104,407)
Pupil Transportation	172,052	166,400	(5,652)
Central	78,016	64,408	(13,608)
Operation of Non-Instructional Services	229,925	229,424	(501)
Extracurricular Activities	304,145	243,251	(60,894)
Interest and Fiscal Charges	226,746	242,641	15,895
Total Expenses	<u>5,926,367</u>	<u>5,874,657</u>	<u>(51,710)</u>
Increase (Decrease) in Net Assets	(141,594)	1,292,990	(1,434,584)
Net Assets at Beginning of Year	<u>19,016,690</u>	<u>17,723,700</u>	<u>1,292,990</u>
Net Assets at End of Year	<u>\$ 18,875,096</u>	<u>\$ 19,016,690</u>	<u>\$ (141,594)</u>

Program revenues represent 20 percent of total revenues and primarily consist of restricted intergovernmental revenues, charges for tuition and fees, extracurricular activities, and food service sales. The decrease in program revenues from the prior fiscal year is related to a capital contribution in excess of \$406,000 as well as Ohio School Facilities Commission resources received in fiscal year 2008. The overall change in general revenues was not significant.

Program expenses were also generally consistent with fiscal year 2008 with a decrease less than 1 percent. The major program expense for governmental activities, as expected, continues to be for instruction, which accounts for 56 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 10 percent of governmental expenses. Maintenance of the District's facilities also represents a significant expense, a little over 8 percent. Therefore, 74 percent of the District's expenses are related directly to providing facilities and delivering education.

**Governmental Activities**

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

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction:				
Regular	\$ 2,671,702	\$ 2,852,994	\$2,176,620	\$1,193,585
Special	505,893	485,372	205,052	158,186
Vocational	115,434	92,218	82,773	40,037
Support Services:				
Pupils	236,462	237,143	231,462	232,143
Instructional Staff	177,007	170,179	177,007	170,179
Board of Education	18,312	14,430	18,312	14,430
Administration	553,978	537,466	553,978	537,466

**HOLGATE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

Fiscal	164,523	171,713	164,523	171,713
Business	8,151	7,404	8,151	7,404
Operation and Maintenance of				
Plant	464,021	359,614	464,021	359,614
Pupil Transportation	172,052	166,400	164,747	161,859
Central	78,016	64,408	72,016	58,408
Operation of Non-Instructional				
Services	229,925	229,424	4,641	4,001
Extracurricular Activities	304,145	243,251	204,683	(254,381)
Interest and Fiscal Charges	226,746	242,641	226,746	242,641
Total Expenses	<u>\$ 5,926,367</u>	<u>\$ 5,874,657</u>	<u>\$ 4,754,732</u>	<u>\$ 3,097,285</u>

Table 3 demonstrates that the dependence on tax revenues and unrestricted state entitlements is considerable with 80 percent of all programs supported by these revenue sources. Almost 75 percent of instruction activities are supported through taxes and other general revenues. Several programs, however, receive substantial support through program revenues. Approximately 59 percent of special instruction costs are provided for through program revenues. This is the result of various grants restricted for special instruction purposes. Almost 98 percent of the non-instructional services costs were covered by program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Approximately 33 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 District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The change in fund balance for both the General Fund and the Permanent Improvements Fund were not significant. The increase in fund balance in the Bond Retirement fund (over 26 percent) was due to taxes collected being more than the debt principal payment for the year.

**General Fund Budgeting Highlights**

The 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 2009, the District amended its General Fund budget as needed. For revenues, changes from both the original budget to the final budget and from the final budget to actual revenues were not significant. For expenditures, the District increased the final budget; however, final expenditures were more in line with the original budget. The District has a history of appropriating and operating conservatively.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2009, the District had \$20,417,134 invested in capital assets (net of accumulated depreciation), a decrease of less than 2 percent from the prior fiscal year.

For further information regarding the District's capital assets, refer to Note 11 to the basic financial statements.

**HOLGATE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

**Debt**

The District's outstanding debt at fiscal year end included long-term loans, in the amount of \$1,811,358, and general obligation bonds, in the amount of \$2,560,000. The District's long-term obligations also include compensated absences.

For further information regarding the District's long-term obligations, refer to Note 17 to the basic financial statements.

**Current Issues**

While the District's current five-year forecast reflects positive balances for fiscal years 2010 through 2013, the District will be deficit spending throughout this period and a deficit balance is currently projected for fiscal year 2014.

The District has completed negotiations with the teachers' union and the new contract is in effect beginning September 1, 2009, through August 31, 2011. The new contract provides for base salary increases of 2.5 percent for fiscal year 2010 and 2 percent for fiscal year 2011.

The 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 District's Financial Management**

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

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2009**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,063,969
Accounts Receivable	8,441
Accrued Interest Receivable	16,717
Intergovernmental Receivable	20,820
Prepaid Items	1,517
Inventory Held for Resale	7,660
Materials and Supplies Inventory	5,537
Property Taxes Receivable	1,425,323
Income Taxes Receivable	247,832
Non-Depreciable Capital Assets	448,987
Depreciable Capital Assets, net	19,968,147
Total Assets	25,214,950
 <b>LIABILITIES</b>	
Accounts Payable	12,171
Accrued Wages and Benefits Payable	342,130
Matured Compensated Absences Payable	29,806
Intergovernmental Payable	116,773
Deferred Revenue	1,210,235
Accrued Interest Payable	18,373
Long-Term Liabilities:	
Due Within One Year	173,669
Due in More Than One Year	4,436,697
Total Liabilities	6,339,854
 <b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	16,045,776
Restricted For:	
Set Asides	32,799
Debt Service	222,851
Capital Projects	589,299
Other Purposes	256,217
Unrestricted	1,728,154
Total Net Assets	\$ 18,875,096

*The accompanying notes are an integral part of these financial statements.*

**HOLGATE LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2009*

	Program Revenues			Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants, Contributions, and Interest				
<b>GOVERNMENTAL ACTIVITIES:</b>						
Instruction:						
Regular	\$ 2,671,702	\$ 418,104	\$ 76,978	\$ -		\$ (2,176,620)
Special	505,893	-	300,841	-		(205,052)
Vocational	115,434	-	32,661	-		(82,773)
Support Services:						
Pupils	236,462	-	5,000	-		(231,462)
Instructional Staff	177,007	-	-	-		(177,007)
Board of Education	18,312	-	-	-		(18,312)
Administration	553,978	-	-	-		(553,978)
Fiscal	164,523	-	-	-		(164,523)
Business	8,151	-	-	-		(8,151)
Operation and Maintenance of Plant	464,021	-	-	-		(464,021)
Pupil Transportation	172,052	-	803	6,502		(164,747)
Central	78,016	-	6,000	-		(72,016)
Operation of Non-Instructional Services	229,925	132,164	93,120	-		(4,641)
Extracurricular Activities	304,145	99,462	-	-		(204,683)
Interest and Fiscal Charges	226,746	-	-	-		(226,746)
<b>Total Government Activities</b>	<b>\$ 5,926,367</b>	<b>\$ 649,730</b>	<b>\$ 515,403</b>	<b>\$ 6,502</b>		<b>(4,754,732)</b>
General Revenues:						
Taxes:						
						888,602
						16,596
						358,530
						65,713
						665,844
						1,587
						2,488,228
						71,501
						1,727
						54,810
<i>Total General Revenues</i>						4,613,138
<i>Change in Net Assets</i>						(141,594)
<i>Net Assets Beginning of Year - Restated (Note 3)</i>						19,016,690
<i>Net Assets End of Year</i>						<b>\$ 18,875,096</b>

*The accompanying notes are an integral part of these financial statements.*

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

	<u>General Fund</u>	<u>Bond Retirement</u>	<u>Permanent Improvements</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 2,036,628	\$ 183,566	\$ 552,092	\$ 254,457	\$ 3,026,743
Accounts Receivable	8,441	-	-	-	8,441
Accrued Interest Receivable	16,717	-	-	-	16,717
Interfund Receivable	1,300	-	-	-	1,300
Intergovernmental Receivable	2,190	-	-	18,630	20,820
Prepaid Items	1,517	-	-	-	1,517
Inventory Held for Resale	-	-	-	7,660	7,660
Materials and Supplies Inventory	4,862	-	-	675	5,537
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	37,226	-	-	-	37,226
Property Taxes Receivable	945,190	393,087	69,446	17,600	1,425,323
Income Taxes Receivable	<u>247,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,832</u>
Total Assets	<u>\$ 3,301,903</u>	<u>\$ 576,653</u>	<u>\$ 621,538</u>	<u>\$ 299,022</u>	<u>\$ 4,799,116</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	\$ 10,396	\$ -	\$ 1,695	\$ 80	\$ 12,171
Accrued Wages and Benefits Payable	332,561	-	-	9,569	342,130
Matured Compensated Absences Payable	29,806	-	-	-	29,806
Interfund Payable	-	-	-	1,300	1,300
Intergovernmental Payable	107,206	-	-	9,567	116,773
Deferred Revenue	<u>966,097</u>	<u>374,816</u>	<u>61,140</u>	<u>15,468</u>	<u>1,417,521</u>
Total Liabilities	<u>1,446,066</u>	<u>374,816</u>	<u>62,835</u>	<u>35,984</u>	<u>1,919,701</u>
<b>FUND BALANCES</b>					
Reserved for:					
Property Taxes	42,853	18,271	8,306	2,132	71,562
Textbooks and Instructional Materials	32,799	-	-	-	32,799
Bus Purchase	4,427	-	-	-	4,427
Encumbrances	5,322	-	20,485	1,309	27,116
Unreserved, Undesignated, Reported in:					
General Fund	1,770,436	-	-	-	1,770,436
Special Revenue Funds	-	-	-	245,677	245,677
Debt Service Fund	-	183,566	-	-	183,566
Capital Projects Funds	<u>-</u>	<u>-</u>	<u>529,912</u>	<u>13,920</u>	<u>543,832</u>
Total Fund Balances	<u>1,855,837</u>	<u>201,837</u>	<u>558,703</u>	<u>263,038</u>	<u>2,879,415</u>
Total Liabilities and Fund Balances	<u>\$ 3,301,903</u>	<u>\$ 576,653</u>	<u>\$ 621,538</u>	<u>\$ 299,022</u>	<u>\$ 4,799,116</u>

*The accompanying notes are an integral part of these financial statements.*

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
June 30, 2009**

<b>Total Governmental Fund Balances</b>		<b>\$ 2,879,415</b>
<i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		20,417,134
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts receivable	8,119	
Accrued interest receivable	15,079	
Property taxes receivable	184,088	
		207,286
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued interest payable	(18,373)	
Loan payable	(1,811,358)	
General obligation bonds payable	(2,560,000)	
Compensated absences payable	(239,008)	
		(4,628,739)
<b><i>Net Assets of Governmental Activities</i></b>		<b><u><u>\$ 18,875,096</u></u></b>

*The accompanying notes are an integral part of these financial statements.*

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

*For the Fiscal Year Ended June 30, 2009*

	General Fund	Bond Retirement	Permanent Improvements	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property and Other Local Taxes	\$ 805,100	\$ 319,795	\$ 49,382	\$ 14,914	\$ 1,189,191
Income Tax	676,132	-	-	-	676,132
Payment in Lieu of Taxes	1,587	-	-	-	1,587
Intergovernmental	2,586,143	62,388	10,223	352,369	3,011,123
Interest	92,261	453	-	506	93,220
Tuition and Fees	416,839	-	-	4,129	420,968
Extracurricular Activities	24,093	-	-	71,240	95,333
Charges for Services	-	-	-	132,164	132,164
Gifts and Donations	1,727	-	-	-	1,727
Miscellaneous	45,830	-	-	8,980	54,810
Total Revenues	<u>4,649,712</u>	<u>382,636</u>	<u>59,605</u>	<u>584,302</u>	<u>5,676,255</u>
<b>EXPENDITURES</b>					
Current:					
Instruction:					
Regular	2,343,438	-	25,499	52,026	2,420,963
Special	339,216	-	-	146,686	485,902
Vocational	113,548	-	-	-	113,548
Support Services:					
Pupils	245,847	-	-	1,239	247,086
Instructional Staff	154,098	-	2,389	495	156,982
Board of Education	18,312	-	-	-	18,312
Administration	521,200	-	-	14,598	535,798
Fiscal	144,781	8,573	1,505	450	155,309
Business	8,151	-	-	-	8,151
Operation and Maintenance of Plant	319,524	-	43,536	12,515	375,575
Pupil Transportation	148,521	-	-	-	148,521
Central	67,019	-	-	10,997	78,016
Operation of Non-Instructional Services	-	-	-	207,760	207,760
Extracurricular Activities	174,613	-	-	94,566	269,179
Capital Outlay	-	-	86,339	40,679	127,018
Debt Service:					
Principal Retirement	-	105,000	9,018	-	114,018
Interest and Fiscal Charges	-	226,605	935	-	227,540
Total Expenditures	<u>4,598,268</u>	<u>340,178</u>	<u>169,221</u>	<u>582,011</u>	<u>5,689,678</u>
Excess of Revenues Over (Under) Expenditures	51,444	42,458	(109,616)	2,291	(13,423)
<b>OTHER FINANCING SOURCES AND USES</b>					
Proceeds of Loans	-	-	56,376	-	56,376
Transfers In	-	-	-	415	415
Transfers Out	(415)	-	-	-	(415)
Total Other Financing Sources and Uses	<u>(415)</u>	<u>-</u>	<u>56,376</u>	<u>415</u>	<u>56,376</u>
Net Change in Fund Balances	51,029	42,458	(53,240)	2,706	42,953
Fund Balance at Beginning of Year	<u>1,804,808</u>	<u>159,379</u>	<u>611,943</u>	<u>260,332</u>	<u>2,836,462</u>
Fund Balance at End of Year	<u>\$ 1,855,837</u>	<u>\$ 201,837</u>	<u>\$ 558,703</u>	<u>\$ 263,038</u>	<u>\$ 2,879,415</u>

*The accompanying notes are an integral part of these financial statements.*

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009**

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 42,953</b>
<i>Amounts reported for governmental activities on the statement of activities are different because of the following:</i>		
Governmental funds report capital outlay 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 outlays - depreciable capital assets	162,396	
Depreciation	<u>(551,028)</u>	(388,632)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Property taxes	140,250	
Income taxes	(10,288)	
Intergovernmental	(1,087)	
Interest	(21,622)	
Tuition and fees	<u>1,265</u>	108,518
Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		114,018
Loan proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets.		(56,376)
Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net assets.		794
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.		<u>37,131</u>
<b><i>Change in Net Assets of Governmental Activities</i></b>		<b><u>\$ (141,594)</u></b>

*The accompanying notes are an integral part of these financial statements.*

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL COMPARISON  
GENERAL FUND**

*For the Fiscal Year Ended June 30, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property and Other Local Taxes	\$ 731,615	\$ 731,616	\$ 812,686	\$ 81,070
Income Tax	667,000	667,000	695,535	28,535
Payment in Lieu of Taxes	1,500	1,500	1,587	87
Intergovernmental	2,545,000	2,566,253	2,584,906	18,653
Interest	100,000	100,000	90,108	(9,892)
Tuition and Fees	364,870	366,170	416,609	50,439
Extracurricular Activities	18,600	39,270	24,093	(15,177)
Gifts and Donations	2,500	2,500	1,727	(773)
Miscellaneous	<u>27,700</u>	<u>39,597</u>	<u>45,830</u>	<u>6,233</u>
Total Revenues	<u>4,458,785</u>	<u>4,513,906</u>	<u>4,673,081</u>	<u>159,175</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	2,053,994	2,507,329	2,330,816	176,513
Special	354,410	396,167	344,416	51,751
Vocational	95,489	121,104	111,422	9,682
Support Services:				
Pupils	223,338	267,901	244,701	23,200
Instructional Staff	172,074	161,069	151,618	9,451
Board of Education	18,835	20,801	18,464	2,337
Administration	531,801	576,254	521,104	55,150
Fiscal	155,875	153,416	143,339	10,077
Business	8,100	8,206	8,042	164
Operation and Maintenance of Plant	372,549	382,683	314,258	68,425
Pupil Transportation	326,061	184,645	150,517	34,128
Central	56,850	69,069	65,116	3,953
Extracurricular Activities	<u>157,279</u>	<u>186,830</u>	<u>172,415</u>	<u>14,415</u>
Total Expenditures	<u>4,526,655</u>	<u>5,035,474</u>	<u>4,576,228</u>	<u>459,246</u>
Excess of Revenues Over (Under) Expenditures	<u>(67,870)</u>	<u>(521,568)</u>	<u>96,853</u>	<u>618,421</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Refund of Prior Year Expenditures	-	192	-	(192)
Refund of Prior Year Receipts	(15,427)	(16,444)	(14,409)	2,035
Advances In	3,500	3,500	6,682	3,182
Advances Out	(12,000)	(12,000)	(7,982)	4,018
Transfers Out	<u>(900)</u>	<u>(415)</u>	<u>(415)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(24,827)</u>	<u>(25,167)</u>	<u>(16,124)</u>	<u>9,043</u>
Net Change in Fund Balances	(92,697)	(546,735)	80,729	627,464
Fund Balance at Beginning of Year	1,977,255	1,977,255	1,977,255	-
Prior Year Encumbrances Appropriated	<u>6,191</u>	<u>6,191</u>	<u>6,191</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,890,749</u>	<u>\$ 1,436,711</u>	<u>\$ 2,064,175</u>	<u>\$ 627,464</u>

*The accompanying notes are an integral part of these financial statements.*

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**  
*June 30, 2009*

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 123,665	\$ 17,698
<b>LIABILITIES</b>		
Due to Students		\$ 17,698
<b>NET ASSETS</b>		
Held in Trust for Scholarships	\$ 123,665	

*The accompanying notes are an integral part of these financial statements.*

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
*June 30, 2009***

<b>ADDITIONS:</b>	
Interest	\$ 5,480
<b>DEDUCTIONS:</b>	
Noninstructional Services	<u>4,800</u>
Change in Net Assets	680
Net Assets at Beginning of Year	<u>122,985</u>
Net Assets at End of Year	<u><u>\$ 123,665</u></u>

*The accompanying notes are an integral part of these financial statements.*

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The District was established in 1892. The District serves an area of approximately fifty-four square miles. It is located in Henry County and includes all of the Village of Holgate and portions of Flatrock, Marion, Monroe, and Pleasant Townships. The District is the 596<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-five classified employees, thirty-eight certified teaching personnel, and four administrative employees who provide services to four hundred sixty-seven students and other community members. The District currently operates one instructional building.

Reporting Entity

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

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

The District participates in four jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the North West Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northwest Ohio Educational Council Insurance Pool, the Northern Buckeye Education Council Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Holgate Community Library. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**HOLGATE LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Basis of Presentation**

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the 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 District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the 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 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, contributions, and interest 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 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 District.

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain 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 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The 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 District are divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvements capital projects 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**HOLGATE LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Bond Retirement Fund – The Bond Retirement debt service fund is used to account for the accumulation of resources for and the payment of principal and interest on loans and on general obligation bonds for the construction of new facilities.

Permanent Improvements Fund – The Permanent Improvements capital projects fund accounts for the acquisition, construction, or improvement of capital facilities.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The 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 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 District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

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

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 revenue, and in the presentation of expenses versus expenditures.

**HOLGATE LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenues – Exchange and Non-exchange 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 District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**HOLGATE LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**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 for 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 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 District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During fiscal year 2009, investments consisted of non-negotiable 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 2009 was \$92,261, which includes \$24,827 assigned from other District funds.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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.

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Inventory**

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

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributions, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and instructional material as well as unexpended revenues restricted for the purchase of school buses.

**J. Capital Assets**

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

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The 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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Land Improvements	20 – 40 years
Buildings & Building Improvements	20 – 75 years
Furniture, Fixtures, and Equipment	5 – 40 years
Vehicles	15 years

**K. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from interfund loans are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net assets.

**L. 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 that the District will compensate the employees for the benefits through paid time off or some other means. The 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**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**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 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 District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

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

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

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

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

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Fund Balance Reserves**

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, textbooks, bus purchase, and encumbrances.

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

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. 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.

**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 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS**

**A. Changes in Accounting Principles**

For fiscal year 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" and Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments."

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 52 established consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

**B. Restatement of Net Assets**

During this fiscal year, the District received an Agreed-Upon Procedures report from the Ohio School Facilities Commission regarding the District's participation in the classroom facilities programs. The report stated that the District did not post receipts or disbursements during the engagement period for payments made directly from the Commission to the Construction Manager on-behalf of the District. The Commission's recommended change had the following effect on net assets as previously reported.

**HOLGATE LOCAL SCHOOL DISTRICT  
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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS  
(CONTINUED)**

	<u>Governmental Activities</u>
Net Assets at June 30, 2008	\$ 17,796,526
Depreciable Capital Assets	<u>1,220,164</u>
Restated Net Assets at June 30, 2008	<u>\$ 19,016,690</u>

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2009, the Latchkey, Education Management Information System, Title I, and Title VI-R special revenue funds had deficit fund balances, in the amount of \$700, \$18, \$115, and \$74, 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.

**B. Compliance**

1. Ohio Revised Code §3318, states that all school districts participating in classroom facilities programs will receive an Agreed-Upon Procedures engagement at least once during a project's lifetime. Julian & Grube, Inc. conducted this engagement for the District, and their report was issued on September 26, 2008. The report contained three non-compliance issues. The first issue was noted because the District did not deposit the local share of the project amendment in the Local Share Fund 010-900L as required, but rather set aside the required \$637,915 in the Permanent Improvement Fund. The second non-compliance issue deals with check #41432 for \$641. This check was for a bid advertisement for furniture and was not allowable under the terms of the Project Agreement, was not recorded in the correct fund, and was not approved by the District Treasurer or the Construction Manager prior to payment. The third issue stated that the District did not post receipts or disbursements during the engagement period for payments made directly from the Commission to the Construction Manager on-behalf of the District in the amount of \$1,220,164.
2. Ohio Revised Code §135.13 provides that interim deposits are certificates of deposit maturing not more than one year from the deposit date. The District held money in two certificates of deposit during fiscal year 2009 that were for 13 months.
3. Ohio Revised Code §5705.36(A), requires that, upon reasonable determination that revenues collected by the District will be less than the amount included in an official certificate, the budget commission certify an amended official certificate reflecting the deficiency. No amendment of the official certificate was made for deficiencies within the following Special Revenue Funds as of June 30, 2009:

Fund	Actual Receipts & Unencumbered 7/1/08 Balance	Appropriations	Variance
Various Fund 300's	\$ 113,398	\$ 121,889	\$ (8,491)
Entry Year Teacher	1,300	1,600	(300)
Title I	38,380	38,817	(437)
Title II-A	21,937	21,998	(61)
Title II-D/REAP	31,780	35,395	(3,615)
Latchkey	4,811	5,391	(580)

**HOLGATE LOCAL SCHOOL DISTRICT**  
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*June 30, 2009*

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

While the 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 a reservation of fund balance (GAAP basis).

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)**

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

<b>Changes in Fund Balance</b>	
GAAP Basis	\$ 51,029
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2008, Received in Cash FY 2009	280,032
Accrued FY 2009, Not Yet Received in Cash	(254,273)
Expenditure Accruals:	
Accrued FY 2008, Paid in Cash FY 2009	(466,481)
Accrued FY 2009, Not Yet Paid in Cash	479,969
Cash Adjustments:	
Unrecorded Activity FY 2008	1,967
Unrecorded Activity FY 2009	(4,357)
Prepaid Items	(69)
Materials and Supplies Inventory	(466)
Advances In	6,682
Advances Out	(7,982)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(5,322)</u>
Budget Basis	<u><u>\$ 80,729</u></u>

**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active monies must be maintained either as cash in the 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 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;

**HOLGATE LOCAL SCHOOL DISTRICT**  
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**NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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 District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,554 of the District's bank balance of \$3,243,548 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 District to a successful claim by the FDIC.

The 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 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 one hundred five percent of the deposits being secured.

**HOLGATE LOCAL SCHOOL DISTRICT  
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**NOTE 7 – RECEIVABLES**

Receivables at June 30, 2009, 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:

	<u>Amount</u>
<u>Governmental Activities</u>	
General Fund	
State of Ohio	\$ 2,190
Other Governmental Funds	
Entry Year	1,400
Rural Education Achievement Program	17,230
Total Intergovernmental Receivables	\$ 20,820

**NOTE 8 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District’s fiscal year runs from July through June. First-half tax distributions are received by the 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 property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 become a lien on December 31, 2007, were levied after April 1, 2008, 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.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
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**NOTE 8 – PROPERTY TAXES (CONTINUED)**

The District receives property taxes from Henry County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2009, 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 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009, was \$42,853 in the General Fund, \$2,132 in the Classroom Maintenance special revenue fund, \$18,271 in the Bond Retirement debt service fund, and \$8,306 in the Permanent Improvements capital projects fund. The amount available as an advance at June 30, 2008, was \$50,439 in the General Fund, \$2,704 in the Classroom Maintenance special revenue fund, \$21,622 in the Bond Retirement debt service fund, and \$10,319 in the Permanent Improvements capital projects fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second-Half		2009 First-Half	
	<u>Collections</u>		<u>Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$33,760,960	88.64	\$ 39,731,110	94.87
Industrial/Commercial	1,894,840	4.97	2,074,470	4.95
Public Utility	1,691,920	4.44	75,280	0.18
Tangible Personal	740,753	1.95	-	0.00
Total Assessed Value	<u>\$38,088,473</u>	<u>100.00</u>	<u>\$41,880,860</u>	<u>100.00</u>
Tax Rate per \$1,000 of Assessed Valuation	<u>\$ 43.20</u>		<u>\$ 43.20</u>	

**NOTE 9 – INCOME TAXES**

The 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**HOLGATE LOCAL SCHOOL DISTRICT  
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**NOTE 10 – PAYMENT IN LIEU OF TAXES**

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

**NOTE 11 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Restated Balance at <u>6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/09</u>
Governmental Activates				
Nondepreciable Capital Assets				
Land	\$ 448,987	\$ -	\$ -	\$ 448,987
Depreciable Capital Assets				
Land Improvements	1,922,740	1,663	-	1,924,403
Buildings & Building Improvements	18,304,218	23,433	-	18,327,651
Furniture, Fixtures, & Equipment	1,332,613	61,765	-	1,394,378
Vehicles	388,407	75,535	-	463,942
Total Depreciable Capital Assets	<u>21,947,978</u>	<u>162,396</u>	<u>-</u>	<u>22,110,374</u>
Less Accumulated Depreciation				
Land Improvements	(174,151)	(86,483)	-	(260,634)
Buildings & Building Improvements	(775,523)	(337,644)	-	(1,113,167)
Furniture, Fixtures, & Equipment	(393,535)	(101,007)	-	(494,542)
Vehicles	(247,990)	(25,894)	-	(273,884)
Total Accumulated Depreciation	<u>(1,591,199)</u>	<u>(551,028)</u>	<u>-</u>	<u>(2,142,227)</u>
Depreciable Capital Assets, Net	<u>20,356,779</u>	<u>(388,632)</u>	<u>-</u>	<u>19,968,147</u>
Governmental Activities Capital Assets, Net	<u>\$20,805,766</u>	<u>\$ (388,632)</u>	<u>\$ -</u>	<u>\$20,417,134</u>

**HOLGATE LOCAL SCHOOL DISTRICT  
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**NOTE 11 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	275,856
Special		19,991
Vocational		18,866
Support Services:		
Pupils		6,906
Instructional Staff		16,340
Administration		19,674
Fiscal		10,468
Operation and Maintenance of Plant		89,868
Pupil Transportation		25,894
Operation of Non-Instructional Services		25,055
Extracurricular Activities		42,110
Total Depreciation Expense	\$	<u>551,028</u>

**NOTE 12 – INTERFUND ASSETS/LIABILITIES**

At June 30, 2009, the General Fund had an interfund receivable from other governmental funds, in the amount of \$1,300, for short-term loans made to those funds.

**NOTE 13 – RISK MANAGEMENT**

The 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 2009, the District contracted for the following insurance coverage.

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

General Liability		
Per Occurrence	\$	1,000,000
Total Per Year		3,000,000
Vehicle Liability		1,000,000
Employee Benefit Liability		
Per Occurrence		1,000,000
General Aggregate Limit		3,000,000

Coverage provided by Federal Insurance Company:

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

Excess Property	5,000,000
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Coverage provided by American Alternative Insurance Company:

Umbrella	10,000,000
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**HOLGATE LOCAL SCHOOL DISTRICT  
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**NOTE 13 – RISK MANAGEMENT (CONTINUED)**

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 2009, the District participated in the Northwest Ohio Educational Council Insurance Pool (Pool), an insurance purchasing pool. Each participant enters into an individual agreement with the Pool for insurance coverage and pays annual premiums to the Pool based on the types and limits of coverage and deductibles selected by the participant.

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

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**NOTE 14 – DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

Plan Description – The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**HOLGATE LOCAL SCHOOL DISTRICT  
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**NOTE 14 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$275,847, \$273,085, and \$269,393, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP and CP for fiscal year 2009 are not yet available.

**B. School Employees Retirement System**

Plan Description – The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$45,397, \$45,558, and \$46,054, respectively; 49 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2009, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**HOLGATE LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 15 – POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio 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 Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$21,219, \$21,027, and \$20,759, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. School Employees Retirement System**

Plan Description – The District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2009, the surcharge amount was \$9,988.

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

The District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$20,776, \$20,790, and \$15,290, respectively; 49 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$3,746, \$3,283, and \$3,132, respectively; 49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 16 – 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 earn ten to twenty 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 District provides medical, dental, vision, and life insurance to most employees through the Northern Buckeye Education Council Employee Insurance Benefits Program.

**NOTE 17 – LONG-TERM OBLIGATIONS**

Changes in the District’s long-term obligations during fiscal year 2009 were as follows:

	Balance at <u>6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/09</u>	Amounts Due Within <u>One Year</u>
Governmental Activities					
FY09 Loan Payable 3.3%	\$ -	\$ 56,376	\$ 9,018	\$ 47,358	\$ 18,480
FY06 Loan Payable 5.06%	1,779,000	-	15,000	1,764,000	20,000
Total Loans Payable	<u>1,779,000</u>	<u>56,376</u>	<u>24,018</u>	<u>1,811,358</u>	<u>38,480</u>
General Obligation Bonds					
FY02 School Facilities Construction & Improvement Bonds					
Serial Bonds 2.25 – 5%	910,000	-	90,000	820,000	100,000
Term Bonds 4.90 – 6%	1,740,000	-	-	1,740,000	-
Total General Obligation Bonds	<u>2,650,000</u>	<u>-</u>	<u>90,000</u>	<u>2,560,000</u>	<u>100,000</u>
Compensated Absences Payable	<u>276,139</u>	<u>13,061</u>	<u>50,192</u>	<u>239,008</u>	<u>35,189</u>
Total Governmental Activities Long-Term Obligations	<u>\$4,705,139</u>	<u>\$ 69,437</u>	<u>\$ 164,210</u>	<u>\$4,610,366</u>	<u>\$ 173,669</u>

FY09 Loan Payable – On September 15, 2008, the District obtained a loan, in the amount of \$56,376, to purchase a new bus. The loan was issued for a three year period, with final maturity during fiscal year 2012. The loan is being retired from the Permanent Improvements capital projects fund.

FY06 Loan Payable – On October 7, 2005, the 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  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 17 – LONG-TERM OBLIGATIONS (CONTINUED)**

FY02 School Facilities Construction and Improvement Bonds – On April 15, 2002, the 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 amount of \$1,329,000 and \$1,740,000, respectively. The bonds were issued for a twenty-four year period, with final maturity during fiscal year 2026. The bonds will be retired through the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2016, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, 2015, in the amount of \$130,000 (with the balance of \$140,000 to be paid at stated maturity on December 1, 2016), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

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:

<u>Year</u>	<u>Amount</u>
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 District. The mandatory redemption is to occur on December 1, 2023, in the amount of \$240,000 (with the balance of \$265,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

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

Compensated absences will be paid from the General Fund.

The District's overall debt margin was (\$400,244) with an unvoted debt margin of \$41,881 at June 30, 2009. In fiscal year 2007, the District was authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2009, were as follows:

Fiscal Year Ending June 30,	FY 09 Loan Payable		
	Principal	Interest	Total
2010	\$ 18,480	\$ 1,426	\$ 19,906
2011	19,094	812	19,906
2012	9,784	169	9,953
Total	\$ 47,358	\$ 2,407	\$ 49,765

**HOLGATE LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 17 – LONG-TERM OBLIGATIONS (CONTINUED)**

Fiscal Year Ending June 30,	<u>FY 06 Loan Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 20,000	\$ 89,279	\$ 109,279
2011	20,000	88,261	108,261
2012	25,000	87,116	112,116
2013	30,000	85,715	115,715
2014	44,000	83,832	127,832
2015-2019	253,000	382,640	635,640
2020-2024	321,000	309,955	630,955
2025-2029	410,000	217,344	627,344
2030-2034	521,000	99,484	620,484
2035	120,000	3,054	123,054
Total	<u>\$1,764,000</u>	<u>\$ 1,446,680</u>	<u>\$ 3,210,680</u>

Fiscal Year Ending June 30,	<u>General Obligation Bonds</u>			
	<u>Serial</u>	<u>Term</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 100,000	\$ -	\$ 133,453	\$ 233,453
2011	105,000	-	128,967	233,967
2012	110,000	-	124,182	234,182
2013	125,000	-	118,832	243,832
2014	110,000	-	113,401	223,401
2015-2019	270,000	435,000	472,919	1,177,919
2020-2024	-	1,040,000	227,362	1,267,362
2025-2028	-	265,000	6,956	271,956
Total	<u>\$ 820,000</u>	<u>\$1,740,000</u>	<u>\$ 1,326,072</u>	<u>\$ 3,886,072</u>

**NOTE 18 – OPERATING LEASE**

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights, and therefore, the results of the lease agreement are not reflected in the District's financial statements. During 2006 the District entered into a lease agreement for a copier/printer/fax machine all-in-one unit. During fiscal year 2009, the District had expenditures of \$8,600 for the operating leases. The following schedule is of future minimum lease payments as of June 30, 2009.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 8,600
2011	5,733
Total minimum lease payment	<u>\$ 14,333</u>

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 19 – SET ASIDES**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009.

	Textbooks	Capital Improvements
Balance June 30, 2008	\$ 31,942	\$ -
Current Year Set Aside Requirement	81,553	81,553
Current Year Offsets	-	(61,526)
Qualifying Expenditures	(80,696)	(20,027)
Balance June 30, 2009	\$ 32,799	\$ -

**NOTE 20 – INTERFUND TRANSFERS**

During fiscal year 2009, the General Fund made transfers to other governmental funds, in the amount of \$415, to subsidize activities in other funds.

**NOTE 21 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the North West 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 2009, the District paid \$59,844 to NWOCA for various services. Financial information can be obtained from the North West 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 Education Council, 209 Nolan Parkway, Archbold, Ohio 43502.

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 21 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

**C. Four County Career Center**

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the 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 Education 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., Box 456, Ashland, Ohio 44805.

**NOTE 22 – INSURANCE POOLS**

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

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

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

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

**C. Northern Buckeye Education Council Workers' Compensation Group Rating Plan**

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

**HOLGATE LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 23 – 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 District for operational subsidies. Although the 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 24 – CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2009.

**B. Litigation**

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

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Holgate Local School District  
Holgate, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2009-1 through 2009-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider finding 2009-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2009-1 through 2009-3.

We noted certain matters that we reported to management of the District in a separate letter dated November 17, 2009.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Steyer & Co."

STEYER & CO.  
Certified Public Accountants

Defiance, Ohio  
November 17, 2009

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
*June 30, 2009***

**2009-1 Material Weakness  
Noncompliance Citation**

Ohio Revised Code §3318, states that all school districts participating in classroom facilities programs will receive an Agreed-Upon Procedures engagement at least once during a project's lifetime. Julian & Grube, Inc. conducted this engagement for the District, and their report was issued on September 26, 2008. The report contained three non-compliance issues. The first issue was noted because the District did not deposit the local share of the project amendment in the Local Share Fund 010-900L as required, but rather set aside the required \$637,915 in the Permanent Improvement Fund. The second non-compliance issue deals with check #41432 for \$641. This check was for a bid advertisement for furniture and was not allowable under the terms of the Project Agreement, was not recorded in the correct fund, and was not approved by the District Treasurer or the Construction Manager prior to payment. The third issue stated that the District did not post receipts or disbursements during the engagement period for payments made directly from the Commission to the Construction Manager on-behalf of the District in the amount of \$1,220,164.

The Treasurer has taken the necessary action to correct these three non-compliance issues. The third issue noted was the reason for the restatement of net assets as of June 30, 2008.

**Management's Response:**

Management understands and agrees with the citation.

**2009-2 Significant Deficiency  
Noncompliance Citation**

Ohio Revised Code §135.13 provides that interim deposits are certificates of deposit maturing not more than one year from the deposit date. The District held money in two certificates of deposit during fiscal year 2009 that were for 13 months.

We recommend that the District closely monitor the terms of the certificates of deposit prior to issuance.

**Management's Response:**

Management understands and agrees with the citation and will make the necessary corrections.

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2009**

**2009-3 Significant Deficiency  
Noncompliance Citation**

Ohio Revised Code §5705.36(A), requires that, upon reasonable determination that revenues collected by the District will be less than the amount included in an official certificate, the budget commission certify an amended official certificate reflecting the deficiency. No amendment of the official certificate was made for deficiencies within the following Special Revenue Funds as of June 30, 2009:

Fund	Actual Receipts & Unencumbered 7/1/08 Balance	Appropriations	Variance
Various Fund 300's	\$ 113,398	\$ 121,889	\$ (8,491)
Entry Year Teacher	1,300	1,600	(300)
Title I	38,380	38,817	(437)
Title II-A	21,937	21,998	(61)
Title II-D/REAP	31,780	35,395	(3,615)
Latchkey	4,811	5,391	(580)

We recommend that the Treasurer file amended certificates throughout the fiscal year which takes all funds into consideration.

**Management's Response:**

Management understands and agrees with the citation and will make the necessary corrections.

**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS**  
*June 30, 2009*

Finding Number	Finding Summary	Fully Corrected?	Action Taken
2008-1	Material Weakness Ohio Revised Code §5705.36(A) Amended official certificates	No	Not Corrected. Reissued as finding 2009-3.
2008-2	Significant Deficiency Ohio Revised Code §135.13 Interim deposits	No	Not Corrected. Reissued as finding 2009-2.
2008-3	Significant Deficiency Ohio Revised Code §5705.10 Recording in proper fund.	Yes	Finding no longer valid.

**INDEPENDENT AUDITOR'S REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

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

To the Board of Education:

Ohio Rev. Code §117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with §3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Holgate Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code §3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on November 20, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code §3313.666(B):
  - a. A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - b. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code §3313.666;
  - c. A procedure for reporting prohibited incidents;
  - d. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - e. A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by §3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- f. A procedure for documenting any prohibited incident that is reported;
- g. A procedure for responding to and investigating any reported incident;
- h. A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- i. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- j. A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by §3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



STEYER & CO.  
Certified Public Accountants

Defiance, Ohio  
November 17, 2009



**Mary Taylor, CPA**  
Auditor of State

**HOLGATE LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**FEBRUARY 16, 2010**