



Dave Yost • Auditor of State

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, for the year ended June 30, 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State

February 3, 2012

Holgate Local School District
Henry County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of Holgate Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. 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.

Highlights

Highlights for fiscal year 2011 are as follows:

In total, net assets decreased \$82,948, or less than 1 percent, from the prior fiscal year.

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

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the 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 nonmajor funds presented in total in a single column. For the District, the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund are the most significant funds.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the 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. Nonfinancial 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, the District discloses two types of activities:

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

Holgate Local School District
Henry County
Management's Discussion and Analysis
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Unaudited

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

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its 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 Ohio School Facilities Commission capital projects fund.

Governmental Funds - Most 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.

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the 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 2011 and fiscal year 2010.

	Table 1 Net Assets					
	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
<u>Assets</u>						
Current and Other Assets	\$4,996,819	\$6,028,264	\$1,659	\$406	\$4,998,478	\$6,028,670
Capital Assets, Net	21,137,575	20,404,570			21,137,575	20,404,570
Total Assets	<u>26,134,394</u>	<u>26,432,834</u>	<u>1,659</u>	<u>406</u>	<u>26,136,053</u>	<u>26,433,240</u>
<u>Liabilities</u>						
Current and Other Liabilities	1,838,184	2,027,630		532	1,838,184	2,028,162
Long-Term Liabilities	4,481,884	4,506,145			4,481,884	4,506,145
Total Liabilities	<u>6,320,068</u>	<u>6,533,775</u>		<u>532</u>	<u>6,320,068</u>	<u>6,534,307</u>

Holgate Local School District
Henry County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Net Assets

Invested in Capital Assets, Net of Related Debt	17,041,458	16,171,686			17,041,458	16,171,686
Restricted	1,079,260	1,701,408			1,079,260	1,701,408
Unrestricted (Deficit)	1,693,608	2,025,965	1,659	(126)	1,695,267	2,025,839
Total Net Assets (Deficit)	<u>\$19,814,326</u>	<u>\$19,899,059</u>	<u>\$1,659</u>	<u>(\$126)</u>	<u>\$19,815,985</u>	<u>\$19,898,933</u>

Although the overall change in net assets for governmental activities was less than 1 percent, there were several significant changes from the prior fiscal year. There was a decrease in current and other assets from two primary factors. The first was a decrease in cash and cash equivalents of over \$859,000 due to resources spent on construction related activities, primarily roof replacement and new gymnasium flooring. This activity is also reflected in the increase in net capital assets and invested in capital assets. The second was a decrease in the receivable for property taxes due to the collection on a bankruptcy account. This reduction is also reflected in the decrease in unrestricted net assets.

The change in net assets for the business-type activity was not significant; however, the deficit of the prior fiscal year was eliminated.

Table 2 reflects the change in net assets for fiscal year 2011 and fiscal year 2010.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$631,188	\$612,620	\$6,517	\$5,489	\$637,705	\$618,109
Operating Grants and Contributions	714,366	702,770			714,366	702,770
Capital Grants and Contributions		5,000				5,000
Total Program Revenues	<u>1,345,554</u>	<u>1,320,390</u>	<u>6,517</u>	<u>5,489</u>	<u>1,352,071</u>	<u>1,325,879</u>
General Revenues						
Property Taxes Levied for General Purposes	753,964	1,028,641			753,964	1,028,641
Property Taxes Levied for Classroom Facilities Purposes	17,008	17,497			17,008	17,497
Property Taxes Levied for Debt Service Purposes	299,272	416,747			299,272	416,747
Property Taxes Levied for Permanent Improvements	35,784	67,982			35,784	67,982
Income Taxes	688,698	673,531			688,698	673,531
Payment in Lieu of Taxes	1,653	1,638			1,653	1,638
Grants and Entitlements	2,564,322	3,502,246			2,564,322	3,502,246
Interest	28,687	44,620			28,687	44,620
Gifts and Donations	1,415	6,100			1,415	6,100
Miscellaneous	566,667	79,006			66,667	79,006
Total General Revenues	<u>4,957,470</u>	<u>5,838,008</u>			<u>4,457,470</u>	<u>5,838,008</u>
Total Revenues	<u>6,303,024</u>	<u>7,158,398</u>	<u>6,517</u>	<u>5,489</u>	<u>5,809,541</u>	<u>7,163,887</u>

Holgate Local School District
Henry County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Expenses

Instruction:						
Regular	2,961,015	2,822,995			2,961,015	2,822,995
Special	610,103	543,770			610,103	543,770
Vocational	127,814	107,136			127,814	107,136
Support Services:						
Pupils	298,780	246,571			298,780	246,571
Instructional Staff	214,364	189,432			214,364	189,432
Board of Education	30,296	17,994			30,296	17,994
Administration	500,266	494,890			500,266	494,890
Fiscal	176,225	207,218			176,225	207,218
Business	7,283	8,917			7,283	8,917
Operation of Maintenance of Plant	470,005	453,885			470,005	453,885
Pupil Transportation	210,896	218,955			210,896	218,955
Central	66,749	90,796			66,749	90,796
Non-Instructional Services	246,842	241,417			246,842	241,417
Extracurricular Activities	250,519	269,425			250,519	269,425
Interest and Fiscal Charges	216,600	221,734			216,600	221,734
Latchkey			4,732	4,915	4,732	4,915
Total Expenses	<u>6,387,757</u>	<u>6,135,135</u>	<u>4,732</u>	<u>4,915</u>	<u>6,392,489</u>	<u>6,140,050</u>
Increase (Decrease) in Net Assets	(84,733)	1,023,263	1,785	574	(82,948)	1,023,837
Net Assets (Deficit) at Beginning of Year	19,899,059	18,875,796	(126)	(700)	19,898,933	18,875,096
Net Assets (Deficit) at End of Year	<u>\$19,814,326</u>	<u>\$19,899,059</u>	<u>\$1,659</u>	<u>(\$126)</u>	<u>\$19,815,985</u>	<u>\$19,898,933</u>

Program revenues represented 23 percent of total revenues for fiscal year 2011 (a slight increase from the prior fiscal year) and primarily consist of restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales. General revenues reflect a substantial decrease from fiscal year 2010. Property taxes decreased, in part, due to the bankruptcy settlement received in the prior fiscal year. Unrestricted grants and entitlements decreased due to the expiration of grant resources received through the American Recovery and Reinvestment Act (ARRA) as well as from a decrease in resources received from the Ohio School Facilities Commission of over \$962,000 as construction activities have been completed.

There was an overall increase in expenses of 4 percent with the largest changes occurring in the instruction programs and generally due to wage and step increases. In addition, there was a slight increase in staffing and the addition of a special needs student which increased costs. The major program expense for governmental activities, as expected, continues to be for instruction, which accounts for 58 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 11 percent of governmental expenses. Maintenance of the District's facilities also represents a significant expense, approximately 7 percent. Therefore, 76 percent of the District's expenses are related directly to providing facilities and delivering education.

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.

Holgate Local School District
Henry County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction:				
Regular	\$2,961,015	\$2,822,995	\$2,346,057	\$2,352,652
Special	610,103	543,770	248,696	59,617
Vocational	127,814	107,136	94,661	74,230
Support Services:				
Pupils	298,780	246,571	293,780	241,571
Instructional Staff	214,364	189,432	214,364	189,432
Board of Education	30,296	17,994	30,296	17,994
Administration	500,266	494,890	500,266	494,890
Fiscal	176,225	207,218	176,225	207,218
Business	7,283	8,917	7,283	8,917
Operation and Maintenance of Plant	470,005	453,885	470,005	453,885
Pupil Transportation	210,896	218,955	209,543	217,774
Central	66,749	90,796	62,199	86,223
Non-Instructional Services	246,842	241,417	5,910	(1,143)
Extracurricular Activities	250,519	269,425	166,318	189,571
Interest and Fiscal Charges	216,600	221,734	216,600	221,734
Total Expenses	<u>\$6,387,757</u>	<u>\$6,135,135</u>	<u>\$5,042,203</u>	<u>\$4,814,565</u>

The above table demonstrates that the dependence on tax revenues and unrestricted state entitlements is considerable with 79 percent of all programs supported by these revenue sources. Almost 73 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 programs revenues. This is the result of various grants restricted for special instruction purposes (substantially less than in the prior fiscal year due to the termination of ARRA resources). Almost all of the non-instructional services costs were covered by program revenues in fiscal year 2011. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Approximately 34 percent of extracurricular activities expenses were covered by program revenues. These program revenues are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

Governmental Funds Financial Analysis

The District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund decreased almost 15 percent. Although receipts from most revenue sources remained very similar to the prior fiscal year, property tax receipts were lower due to the bankruptcy settlement (a one-time receipt) received in the fiscal year 2010. In addition, expenditures increased almost 10 percent. As previously mentioned, there were modest staffing increases and the addition of a special needs student.

The increase in fund balance in the Bond Retirement fund (7 percent) was due to taxes collected being more than the debt principal payment for the year.

Holgate Local School District
Henry County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The decrease in the Ohio School Facilities Commission Fund was due to spending resources for construction activities.

Business-Type Activity Financial Analysis

The District's business-type activity is the latchkey program which provides for afterschool activities. For fiscal year 2011, this activity had an operating income which eliminated the deficit net assets of the prior fiscal 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 2011, 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. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$21,137,575 invested in capital assets (net of accumulated depreciation), a change of approximately 4 percent. The most significant additions for the fiscal year included construction on the roof and new gymnasium flooring. For further information regarding the District's capital assets, refer to Note 11 to the basic financial statements.

Debt

The District's outstanding debt at fiscal year end included long-term loans, in the amount of \$1,858,803, and general obligation bonds, in the amount of \$2,355,000. The District's long-term obligations also include compensated absences. For further information regarding the District's long-term obligations, refer to Note 16 to the basic financial statements.

Current Issues

While the District's current five-year forecast reflects positive balances for fiscal years 2012 through 2014, the District will be deficit spending throughout this period and a deficit balance is currently projected for fiscal year 2015.

The District has completed negotiations with the teachers' union and the new contract is in effect from September 1, 2011, through August 31, 2014. The contract provides for a freeze in base salary and step increases in fiscal years 2012 and 2013. For fiscal year 2014, there will still be a freeze in step increases, but there will be a 2 percent base increase.

The 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.

Holgate Local School District
Henry County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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.

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Holgate Local School District
Henry County
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activity	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,317,220	\$1,659	\$3,318,879
Accounts Receivable	26,413		26,413
Accrued Interest Receivable	3,813		3,813
Intergovernmental Receivable	56,206		56,206
Inventory Held for Resale	7,044		7,044
Materials and Supplies Inventory	8,718		8,718
Property Taxes Receivable	1,312,027		1,312,027
Income Taxes Receivable	265,378		265,378
Nondepreciable Capital Assets	628,618		628,618
Depreciable Capital Assets, Net	20,508,957		20,508,957
Total Assets	<u>26,134,394</u>	<u>1,659</u>	<u>26,136,053</u>
<u>Liabilities:</u>			
Accounts Payable	24,720		24,720
Contracts Payable	149,010		149,010
Accrued Wages and Benefits Payable	371,718		371,718
Matured Compensated Absences Payable	998		998
Intergovernmental Payable	110,998		110,998
Retainage Payable	16,394		16,394
Deferred Revenue	1,146,409		1,146,409
Accrued Interest Payable	17,937		17,937
Long-Term Liabilities:			
Due Within One Year	157,062		157,062
Due in More Than One Year	4,324,822		4,324,822
Total Liabilities	<u>6,320,068</u>		<u>6,320,068</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	17,041,458		17,041,458
Restricted For:			
Set Asides	33,532		33,532
Debt Service	360,823		360,823
Capital Projects	407,927		407,927
Other Purposes	276,978		276,978
Unrestricted	1,693,608	1,659	1,695,267
Total Net Assets	<u>\$19,814,326</u>	<u>\$1,659</u>	<u>\$19,815,985</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Henry County
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$2,961,015	\$418,780	\$196,178
Special	610,103		361,407
Vocational	127,814		33,153
Support Services:			
Pupils	298,780		5,000
Instructional Staff	214,364		
Board of Education	30,296		
Administration	500,266		
Fiscal	176,225		
Business	7,283		
Operation and Maintenance of Plant	470,005		
Pupil Transportation	210,896		1,353
Central	66,749		4,550
Non-Instructional Services	246,842	128,207	112,725
Extracurricular Activities	250,519	84,201	
Interest and Fiscal Charges	216,600		
Total Governmental Activities	6,387,757	631,188	714,366
<u>Business-Type Activity:</u>			
Latchkey	4,732	6,517	
Total Primary Government	\$6,392,489	\$637,705	\$714,366

General Revenues:

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

Change in Net Assets

Net Assets at Beginning of Year - Restated (Note 3)

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Primary Government		
Governmental Activities	Business-Type Activity	Total
(\$2,346,057)		(\$2,346,057)
(248,696)		(248,696)
(94,661)		(94,661)
(293,780)		(293,780)
(214,364)		(214,364)
(30,296)		(30,296)
(500,266)		(500,266)
(176,225)		(176,225)
(7,283)		(7,283)
(470,005)		(470,005)
(209,543)		(209,543)
(62,199)		(62,199)
(5,910)		(5,910)
(166,318)		(166,318)
(216,600)		(216,600)
(5,042,203)		(5,042,203)
	\$1,785	1,785
(5,042,203)	1,785	(5,040,418)
753,964		753,964
17,008		17,008
299,272		299,272
35,784		35,784
688,698		688,698
1,653		1,653
2,564,322		2,564,322
28,687		28,687
1,415		1,415
566,667		566,667
4,957,470		4,957,470
(84,733)	1,785	(82,948)
19,899,059	(126)	19,898,933
\$19,814,326	\$1,659	\$19,815,985

Holgate Local School District
Henry County
Balance Sheet
Governmental Funds
June 30, 2011

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,050,995	\$332,930	\$480,972	\$418,791	\$3,283,688
Accounts Receivable	6,413		20,000		26,413
Accrued Interest Receivable	3,779			34	3,813
Intergovernmental Receivable	347			55,859	56,206
Inventory Held for Resale				7,044	7,044
Materials and Supplies Inventory	8,458			260	8,718
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	33,532				33,532
Property Taxes Receivable	892,722	342,507		76,798	1,312,027
Income Taxes Receivable	265,378				265,378
Total Assets	<u>\$3,261,624</u>	<u>\$675,437</u>	<u>\$500,972</u>	<u>\$558,786</u>	<u>\$4,996,819</u>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$24,126			\$594	\$24,720
Contracts Payable			\$142,281	6,729	149,010
Accrued Wages and Benefits Payable	341,668			30,050	371,718
Matured Compensated Absences Payable	998				998
Intergovernmental Payable	99,552			11,446	110,998
Retainage Payable			15,809	585	16,394
Deferred Revenue	892,962	\$313,971		102,913	1,309,846
Total Liabilities	<u>1,359,306</u>	<u>313,971</u>	<u>158,090</u>	<u>152,317</u>	<u>1,983,684</u>
<u>Fund Balances:</u>					
Nonspendable	8,458			7,304	15,762
Restricted	33,532	361,466	342,882	403,642	1,141,522
Assigned	23,915				23,915
Unassigned (Deficit)	1,836,413			(4,477)	1,831,936
Total Fund Balances	<u>1,902,318</u>	<u>361,466</u>	<u>342,882</u>	<u>406,469</u>	<u>3,013,135</u>
Total Liabilities and Fund Balances	<u>\$3,261,624</u>	<u>\$675,437</u>	<u>\$500,972</u>	<u>\$558,786</u>	<u>\$4,996,819</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Henry County
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2011

Total Governmental Fund Balances	\$3,013,135
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,137,575
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	6,413	
Accrued Interest Receivable	3,621	
Intergovernmental Receivable	40,950	
Property Taxes Receivable	67,462	
Income Taxes Receivable	44,991	
		163,437

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

Accrued Interest Payable	(17,937)	
Loans Payable	(1,858,803)	
General Obligation Bonds Payable	(2,355,000)	
Compensated Absences Payable	(268,081)	
		(4,499,821)

Net Assets of Governmental Activities	<u>\$19,814,326</u>
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See Accompanying Notes to the Basic 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, 2011

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Revenues:					
Property Taxes	\$776,758	\$310,894		\$56,064	\$1,143,716
Income Taxes	689,446				689,446
Payment in Lieu of Taxes	1,653				1,653
Intergovernmental	2,523,678	65,203		674,857	3,263,738
Interest	26,688	215	\$3,958	158	31,019
Tuition and Fees	418,972				418,972
Extracurricular Activities	1,910			82,291	84,201
Charges for Services				128,207	128,207
Gifts and Donations	1,415				1,415
Miscellaneous	46,667		20,000		66,667
Total Revenues	4,487,187	376,312	23,958	941,577	5,829,034
Expenditures:					
Current:					
Instruction:					
Regular	2,411,078			213,720	2,624,798
Special	411,445			183,521	594,966
Vocational	105,993				105,993
Support Services:					
Pupils	291,532				291,532
Instructional Staff	194,422			11,619	206,041
Board of Education	30,296				30,296
Administration	493,561				493,561
Fiscal	148,762	13,234		2,081	164,077
Business	7,283				7,283
Operation and Maintenance of Plant	245,169			133,601	378,770
Pupil Transportation	178,709				178,709
Central	58,399			8,855	67,254
Non-Instructional Services					
Extracurricular Activities	142,121			220,529	207,037
Capital Outlay	101,720		1,229,462	7,314	1,338,496
Debt Service:					
Principal Retirement		125,000		19,081	144,081
Interest and Fiscal Charges		215,604		826	216,430
Total Expenditures	4,820,490	353,838	1,229,462	866,063	7,269,853
Excess of Revenues Over (Under) Expenditures	(333,303)	22,474	(1,205,504)	75,514	(1,440,819)
Other Financing Sources:					
Energy Conservation Loans Issued				125,000	125,000
Other Financing Sources			500,000		500,000
Total Other Financing Sources			500,000	125,000	625,000
Changes in Fund Balances	(333,303)	22,474	(705,504)	200,514	(815,819)
Fund Balances at Beginning of Year - Restated (Note 3)	2,235,621	338,992	1,048,386	205,955	3,828,954
Fund Balances at End of Year	\$1,902,318	\$361,466	\$342,882	\$406,469	\$3,013,135

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Henry County
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2011

Changes in Fund Balances - Total Governmental Funds (\$815,819)

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

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

Capital Outlay - Nondepreciable Capital Assets	1,294,253	
Capital Outlay - Depreciable Capital Assets	19,849	
Depreciation	(569,894)	
		744,208

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (11,203)

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

Property Taxes	(37,688)	
Income Taxes	(748)	
Intergovernmental	14,950	
Interest	(2,332)	
Tuition and Fees	(192)	
		(26,010)

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 144,081

Loan proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (125,000)

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net assets. (170)

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. 5,180

Change in Net Assets of Governmental Activities (\$84,733)

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Henry County
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
<u>Revenues:</u>				
Property Taxes	\$866,210	\$866,210	\$846,205	(\$20,005)
Income Taxes	680,003	680,003	678,285	(1,718)
Payment in Lieu of Taxes	1,500	1,500	1,653	153
Intergovernmental	2,511,524	2,545,196	2,523,331	(21,865)
Interest	43,000	43,000	32,371	(10,629)
Tuition and Fees	393,170	393,170	418,972	25,802
Extracurricular Activities	6,750	6,750	1,910	(4,840)
Gifts and Donations	1,500	1,500	1,415	(85)
Miscellaneous	48,055	42,457	48,445	5,988
Total Revenues	<u>4,551,712</u>	<u>4,579,786</u>	<u>4,552,587</u>	<u>(27,199)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,454,887	2,425,975	2,409,705	16,270
Special	391,649	438,640	410,872	27,768
Vocational	107,487	112,872	107,955	4,917
Support Services:				
Pupils	293,618	295,573	288,410	7,163
Instructional Staff	193,114	207,425	194,741	12,684
Board of Education	29,955	28,918	28,087	831
Administration	526,529	543,880	496,703	47,177
Fiscal	158,462	157,863	149,237	8,626
Business	8,500	8,500	7,783	717
Operation and Maintenance of Plant	310,516	256,860	242,827	14,033
Pupil Transportation	218,687	220,126	182,731	37,395
Central	84,871	69,571	59,575	9,996
Extracurricular Activities	151,572	151,446	140,421	11,025
Capital Outlay	101,720	101,720	101,720	0
Total Expenditures	<u>5,031,567</u>	<u>5,019,369</u>	<u>4,820,767</u>	<u>198,602</u>
Excess of Revenues				
Under Expenditures	<u>(479,855)</u>	<u>(439,583)</u>	<u>(268,180)</u>	<u>171,403</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures			421	421
Refund of Prior Year Receipts		(67)	(67)	
Advances In			13,220	13,220
Advances Out		(13,007)	(13,007)	
Total Other Financing Sources (Uses)		<u>(13,074)</u>	<u>567</u>	<u>13,641</u>
Changes in Fund Balance	(479,855)	(452,657)	(267,613)	185,044
Fund Balance at Beginning of Year	2,213,473	2,213,473	2,213,473	
Prior Year Encumbrances Appropriated	108,678	108,678	108,678	
Fund Balance at End of Year	<u>\$1,842,296</u>	<u>\$1,869,494</u>	<u>\$2,054,538</u>	<u>\$185,044</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Henry County
Statement of Fund Net Assets
Enterprise Fund
June 30, 2011

	<u>Latchkey</u>
<u>Assets:</u>	
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,659</u>
<u>Net Assets:</u>	
Unrestricted	<u>\$1,659</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
 Henry County
 Statement of Revenues, Expenses, and Change in Fund Net Assets
 Enterprise Fund
 For the Fiscal Year Ended June 30, 2011

	Latchkey
<u>Operating Revenues:</u>	
Tuition and Fees	\$6,517
<u>Operating Expenses:</u>	
Salaries	4,076
Fringe Benefits	129
Other Operating Expenses	527
Total Operating Expenses	4,732
Operating Income	1,785
Net Assets (Deficit) at Beginning of Year	(126)
Net Assets at End of Year	\$1,659

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Henry County
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2011

	Latchkey
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Tuition and Fees	\$6,517
Cash Payments for Salaries	(4,076)
Cash Payments for Fringe Benefits	(661)
Cash Payments for Other Operating Expenses	(527)
Net Cash Provided By Operating Activities	1,253
Cash and Cash Equivalents at Beginning of Year	406
Cash and Cash Equivalents at End of Year	\$1,659
Reconciliation of Operating Income	
<u>to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$1,785
Adjustments to Reconcile Operating Income to	
<u>Net Cash Provided by Operating Activities</u>	
Decrease in Intergovernmental Payables	(532)
Net Cash Provided By Operating Activities	\$1,253

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Henry County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$124,178	\$16,418
Accrued Interest Receivable	817	
Total Assets	\$124,995	\$16,418
<u>Liabilities:</u>		
Due to Students		\$16,418
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$124,995	

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Henry County
Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2011

<u>Additions:</u>	
Interest	\$2,702
<u>Deductions:</u>	
Non-Instructional Services	<u>1,350</u>
Change in Net Assets	1,352
Net Assets at Beginning of Year	<u>123,643</u>
Net Assets at End of Year	<u><u>\$124,995</u></u>

See Accompanying Notes to the Basic Financial Statements

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Note 1 - Description of the 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 597th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-four classified employees, thirty-seven certified teaching personnel, and four administrative employees who provide services to four hundred sixty-four students and other community members. The District currently operates one instructional building.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Holgate Local 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 District.

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

The basic financial statements of Holgate Local 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 and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The District does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its business-type activities or to its enterprise fund. Following are the more significant of the District's accounting policies.

Note 2 - Summary of Significant Accounting Policies

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 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).

The statement of net assets presents the financial condition of the governmental and business-type 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 and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the 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. Nonmajor 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 reported in three categories; governmental, proprietary, 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 Ohio Schools Facilities Commission capital projects fund.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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

Ohio School Facilities Commission Fund - The Ohio School Facilities Commission Fund is used to account for resources restricted for expenditure on the construction of District buildings.

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

Proprietary Fund

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange 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 nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

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

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

E. Budgetary Process

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

During fiscal year 2011, investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

The Board of Education allocates interest according to State statute. Interest revenue credited to the General Fund during fiscal year 2011 was \$26,688, which includes \$2,738 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.

Note 2 - Summary of Significant Accounting Policies (continued)

G. Inventory

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, 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 materials.

I. 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 fiscal 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 and Building Improvements	20 - 75 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	15 years

J. Compensated Absences

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use 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.

M. Fund Balance

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

N. Operating Revenues and Expenses

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

O. Interfund Transactions

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

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

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

P. Estimates

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

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Assets

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

Hogate Local School District
Henry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Assets

B. Restatement of Fund Balance/Net Assets

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the District as they were previously reported.

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$2,225,603	\$338,992	\$1,048,386	\$215,847	\$3,828,828
Change in Fund Structure	10,018			(9,892)	126
Adjusted Fund Balance at June 30, 2010	<u>\$2,235,621</u>	<u>\$338,992</u>	<u>\$1,048,386</u>	<u>\$205,955</u>	<u>\$3,828,954</u>

The restatement had the following effect on net assets.

	Governmental Activities	Business-Type Activities
Net Assets at June 30, 2010	\$19,898,933	
Change in Fund Structure	126	(\$126)
Restated Net Assets (Deficit) at June 30, 2010	<u>\$19,899,059</u>	<u>(\$126)</u>

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2011, the Education Management Information System, District Stabilization, Title I, and Title VI-R special revenue funds had deficit fund balances, in the amount of \$15, \$4,313, \$96, and \$53, 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

Ohio Revised Code Section 135.18 states that the District must require a depository to provide as security an amount equal to the funds on deposit at all times. Deposits with the Hamler State Bank exceeded the security provided by \$40,575.

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:

Hogate Local School District
Henry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 5 - Budgetary Basis of Accounting (continued)

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

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

Changes in Fund Balance	
GAAP Basis	(\$333,303)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2010, Received in Cash FY 2011	336,045
Accrued FY 2011, Not Yet Received in Cash	(275,677)
Expenditure Accruals:	
Accrued FY 2010, Paid in Cash FY 2011	(438,447)
Accrued FY 2011, Not Yet Paid in Cash	466,344
Cash Adjustments:	
Unrecorded Activity FY 2010	5,453
Prepaid Items	1,554
Materials and Supplies Inventory	194
Advances In	13,220
Advances Out	(13,007)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(29,989)
Budget Basis	(\$267,613)

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.

Holgate Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 - Deposits and Investments (continued)

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;
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, \$494,279 of the District's bank balance of \$3,491,108 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.

Holgate Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 - Deposits and Investments (continued)

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 105 percent of the deposits being secured.

Note 7 - Receivables

Receivables at June 30, 2011, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, property taxes, and income taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and income taxes, are expected to be collected within one year. Property taxes and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
State of Ohio	\$347
Other Governmental Funds	
Education Jobs	55,859
Total Intergovernmental Receivables	<u>\$56,206</u>

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 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Holgate Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 8 - Property Taxes (continued)

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 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. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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.

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, 2011, are available to finance fiscal year 2011 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, 2010, 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, 2011, was \$54,785 in the General Fund, \$3,254 in the Classroom Maintenance special revenue fund, \$28,536 in the Bond Retirement debt service fund, and \$11,581 in the Permanent Improvements capital projects fund. The amount available as an advance at June 30, 2010, was \$124,232 in the General Fund, \$2,476 in the Classroom Maintenance special revenue fund, \$56,751 in the Bond Retirement debt service fund, and \$22,907 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 fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$39,799,150	94.90%	\$39,313,080	94.75%
Industrial/Commercial	2,053,390	4.90	2,083,530	5.02
Public Utility	87,270	0.20	94,190	0.23
Total Assessed Value	<u>\$41,939,810</u>	<u>100.00%</u>	<u>\$41,490,800</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.04		\$43.04	

Holgate Local School District
Henry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$448,987			\$448,987
Construction in Progress	379,714	\$1,294,253	(\$1,494,336)	179,631
Total Nondepreciable Capital Assets	828,701	1,294,253	(1,494,336)	628,618
Depreciable Capital Assets				
Land Improvements	1,924,403			1,924,403
Buildings and Building Improvements	18,327,651	1,494,336		19,821,987
Furniture, Fixtures, and Equipment	1,368,943	19,849	(103,769)	1,285,023
Vehicles	538,546			538,546
Total Depreciable Capital Assets	22,159,543	1,514,185	(103,769)	23,569,959
Less Accumulated Depreciation				
Land Improvements	(347,127)	(86,493)		(433,620)
Buildings and Building Improvements	(1,450,928)	(381,343)		(1,832,271)
Furniture, Fixtures, and Equipment	(553,408)	(71,191)	92,566	(532,033)
Vehicles	(232,211)	(30,867)		(263,078)
Total Accumulated Depreciation	(2,583,674)	(569,894)	92,566	(3,061,002)
Depreciable Capital Assets, Net	19,575,869	944,291	(11,203)	20,508,957
Governmental Activities Capital Assets, Net	\$20,404,570	\$2,238,544	(\$1,505,539)	\$21,137,575

Holgate Local School District
Henry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$275,393
Special	22,720
Vocational	21,821
Support Services:	
Pupils	7,778
Instructional Staff	18,519
Administration	19,400
Fiscal	11,637
Operation and Maintenance of Plant	91,573
Pupil Transportation	30,867
Non-Instructional Services	26,704
Extracurricular Activities	43,482
Total Depreciation Expense	\$569,894

Note 12 - 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 2011, the District contracted for the following insurance coverage.

Coverage provided by Selective Insurance Company of South Carolina is as follows:

General Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Vehicle Liability	1,000,000

Coverage provided by Federal Insurance Company:

Building and Contents	50,000,000
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Coverage provided by The Travelers Insurance Company:

Excess Property	\$5,000,000
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Coverage provided by American Alternative Insurance Corporation:

Umbrella	10,000,000
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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.

Note 12 - Risk Management (continued)

For fiscal year 2011, 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 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

Note 13 - Defined Benefit Pension Plans (continued)

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, 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.

The District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$279,375 and \$5,278 for the fiscal year ended June 30, 2011, \$261,215 and \$5,317 for the fiscal year ended June 30, 2010, and \$266,718 and \$7,001 for the fiscal year ended June 30, 2009. For fiscal year 2011, 84 percent has been contributed for both the DBP and CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$37 made by the District and \$26 made by the plan members. In addition, member contributions of \$3,770 were made for fiscal year 2011 for the defined contribution portion of the CP.

B. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirement 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$58,063, \$63,415, and \$45,397, respectively. For fiscal year 2011, 46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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, 2011, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

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

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$21,899, \$20,922, and \$21,219, respectively. For fiscal year 2011, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 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 2011, this amount was \$35,800. For fiscal year 2011, the District paid \$9,833 in surcharge.

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

The District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$7,030, \$2,283, and \$20,776, respectively. For fiscal year 2011, 46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Holgate Local School District
Henry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 14 - Postemployment Benefits (continued)

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 2011, this actuarially required allocation was .76 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$3,736, \$3,771, and \$3,746, respectively. For fiscal year 2011, 46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 15 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

Note 16 - Long-Term Obligations

Changes in the District's long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
FY11 Loan Payable 4.5%		\$125,000		\$125,000	\$5,000
FY09 Loan Payable 3.3%	\$28,884		\$19,081	9,803	9,803
FY06 Loan Payable 5.06%	1,744,000		20,000	1,724,000	25,000
Total Loans Payable	1,772,884	125,000	39,081	1,858,803	39,803
General Obligation Bonds					
FY02 School Facilities Construction and Improvement Bonds					
Serial Bonds 2.25 - 5 %	720,000		105,000	615,000	110,000
Term Bonds 4.9 - 6 %	1,740,000			1,740,000	
Total General Obligation Bonds	2,460,000		105,000	2,355,000	110,000
Compensated Absences Payable	273,261	30,522	35,702	268,081	7,259
Total Governmental Activities Long-Term Obligations	\$4,506,145	\$155,522	\$179,783	\$4,481,884	\$157,062

Holgate Local School District
Henry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 16 - Long-Term Obligations (continued)

FY11 Loan Payable - On May 13, 2011, the District obtained a loan, in the amount of \$125,000, to purchase and install energy conservation measures. The loan was issued for a nine year period, with final maturity during fiscal year 2020. The loan is being retired from the Building capital projects fund. As of June 30, 2011, there were unspent proceeds, in the amount of \$117,686.

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.

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 and the Food Service special revenue fund.

The District's overall debt margin was (\$118,165) with an unvoted debt margin of \$41,491 at June 30, 2011. 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.

Holgate Local School District
Henry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 16 - Long-Term Obligations (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, were as follows:

FY 11 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$5,000	\$5,794	\$10,794
2013	15,000	5,062	20,062
2014	15,000	4,388	19,388
2015	15,000	3,713	18,713
2016	15,000	3,037	18,037
2017-2020	60,000	5,400	65,400
Total	\$125,000	\$27,394	\$152,394

FY 09 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$9,803	\$150	\$9,953

FY 06 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$25,000	\$87,116	\$112,116
2013	30,000	85,715	115,715
2014	44,000	83,832	127,832
2015	46,000	81,542	127,542
2016	48,000	79,149	127,149
2017-2021	278,000	355,637	633,637
2022-2026	354,000	275,625	629,625
2027-2031	451,000	173,543	624,543
2032-2035	448,000	46,981	494,981
Total	\$1,724,000	\$1,269,140	\$2,993,140

General Obligation Bonds				
Fiscal Year Ending June 30,	Serial	Term	Interest	Total
2012	\$110,000		\$124,182	\$234,182
2013	125,000		118,832	243,832
2014	110,000		113,401	223,401
2015	120,000		107,993	227,993
2016		\$130,000	101,958	231,958
2017-2021	150,000	670,000	390,542	1,210,542
2022-2025		940,000	106,744	1,046,744
Total	\$615,000	\$1,740,000	\$1,063,652	\$3,418,652

Holgate Local School District
Henry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 17 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Nonspendable for:					
Inventory Held for Resale				\$7,044	\$7,044
Materials and Supplies Inventory	\$8,458			260	8,718
Total Nonspendable	8,458			7,304	15,762
Restricted for:					
Athletics and Music				24,424	24,424
Building Construction			\$342,882		342,882
Debt Retirement		361,466		118,479	479,945
Facilities Maintenance				108,841	108,841
Food Service Operations				82,259	82,259
Permanent Improvements				56,636	56,636
Regular Instruction				13,003	13,003
Textbooks and Instructional Materials	33,532				33,532
Total Restricted	33,532	361,466	342,882	403,642	1,141,522
Assigned for:					
Educational Activities	\$9,786				\$9,786
Extracurricular Activities	780				780
Unpaid Obligations	13,349				13,349
Total Assigned	23,915				23,915
Unassigned (Deficit):	1,836,413			(4,477)	1,831,936
Total Fund Balance	\$1,902,318	\$361,466	\$342,882	\$406,469	\$3,013,135

Note 18 - 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 2011.

Holgate Local School District
Henry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 18 - Set Asides (continued)

	Textbooks	Capital Improvements
Balance June 30, 2010	\$28,193	
Current Year Set Aside Requirement	70,160	\$70,160
Current Year Offsets		(63,594)
Qualifying Expenditures	(64,821)	(\$6,566)
Balance June 30, 2011	\$33,532	

Note 19 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2011, the District paid \$63,431 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

Note 19 - Jointly Governed Organizations (continued)

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

Note 20 - 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.

Note 21 - Related Organization

The Holgate Community Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Holgate Board of Education. The Board of Trustees possesses its own budgeting and contracting authority, hires and fires personnel, and does not depend on the 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 22 - 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, 2011.

B. Litigation

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

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 3, 2012 wherein, we noted the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 3, 2012.

We intend this report solely for the information and use of management, the audit committee, Board of Education, and others within the District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

February 3, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

We noted the Board amended its anti-harassment policy at its meeting on March 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 3, 2012

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Dave Yost • Auditor of State

HOLGATE LOCAL SCHOOL DISTRICT

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2012**