



Dave Yost • Auditor of State



**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANT'S REPORT

Fostoria City School District  
Seneca County  
500 Parkway Drive  
Fostoria, Ohio 44830-1513

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fostoria City School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2012, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fostoria City School District, Seneca County, Ohio, as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013, 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.

We conducted our audit to opine on the District's basic financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. The schedule of federal awards receipts and expenditures (the schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the schedule provide additional information, but are not part of the basic financial statements. However these tables and the schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

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

March 20, 2013

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

The discussion and analysis of the Fostoria City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- In total, net assets of governmental activities decreased \$2,166,318 which represents a 27 percent decrease from 2011.
- General receipts accounted for \$20,208,186 in receipts or 81 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, contributions and interest accounted for \$4,850,356 or 19 percent of total receipts of \$25,058,542.
- The District had \$27,224,860 in disbursements related to governmental activities; \$4,850,356 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were not adequate to provide for these programs.
- The District's major funds are the general fund, bond retirement fund, and the permanent improvement fund. The general fund had \$19,913,070 in receipts and other financing sources and \$21,959,418 in disbursements and other financing uses. The general fund's fund balance decreased \$2,046,348 from a restated balance of \$5,409,595 to \$3,363,247.
- Another major governmental fund is the bond retirement fund. The bond retirement fund had \$933,621 in receipts and other financing sources and \$866,062 in disbursements. The bond retirement fund's fund balance increased \$67,559 from a restated balance of \$815,972 to \$883,531.
- Another major governmental fund is the permanent improvement fund. The permanent improvement fund had \$298,532 in receipts and \$512,507 in disbursements. The permanent improvement fund's fund balance decreased \$213,975 from a restated balance of \$1,298,549 to \$1,084,574.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board GASB Statement No. 34 as applicable to the District's cash basis of accounting.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole District, presenting an aggregate view of the District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund, bond retirement and permanent improvement fund are the most significant funds.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(CONTINUED)**

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

A question typically asked about the District's finances "How did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answer this question within the limitation of the cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental type activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts of each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's net cash assets and changes in those cash assets. Keeping in mind the limitation of the cash basis accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well, such as the District's property tax base, current property tax laws in Ohio which restrict receipt growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the District's activities are classified as governmental. Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food services, extracurricular activities and debt service.

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

**Fund Financial Statements**

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund, and permanent improvement fund.

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using a cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.



**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(CONTINUED)**

**Fiduciary Funds**

The District's fiduciary funds are for student managed activities and scholarships. The District's fiduciary activities are reported in the Statement of Fiduciary Assets and Changes in Fiduciary Net Assets. We exclude those activities from the District's other financial statements because the assets cannot be used by the District to finance operations.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for fiscal years 2012 compared to 2011:

**(Table 1)**  
Net Assets  
Governmental Activities

|   | <u>2012</u>        | <u>(Restated)<br/>2011</u> |
|---|--------------------|----------------------------|
| <b>Assets</b>                           |                    |                            |
| Equity in Pooled Cash and Investments   | \$5,152,115        | \$7,445,025                |
| Cash and Investments with Escrow Agents | 714,451            | 587,859                    |
| <i>Total Assets</i>                     | <u>\$5,866,566</u> | <u>\$8,032,884</u>         |
| <b>Net Assets</b>                       |                    |                            |
| Restricted for:                         |                    |                            |
| Capital Outlay                          | \$1,132,361        | \$1,332,057                |
| Debt Service                            | 869,256            | 815,972                    |
| Other Purposes                          | 99,897             | 11,504                     |
| State Funded Programs                   | 44,717             | 216,832                    |
| Federally Funded Programs               | 357,088            | 246,924                    |
| Bus Purchases                           | 14,198             | 14,198                     |
| Unrestricted                            | <u>3,349,049</u>   | <u>5,395,397</u>           |
| <i>Total Net Assets</i>                 | <u>\$5,866,566</u> | <u>\$8,032,884</u>         |

Net assets of the governmental activities decreased \$2,166,318, which represents a 26.97 percent decrease from fiscal year 2011. The decrease is the result of a decrease in operating grants and grants and entitlements not restricted to specific programs.

A portion of the District's net assets, \$2,517,517 or 42.91 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$3,349,049 may be used to meet the District's ongoing obligations.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(CONTINUED)**

Table 2 shows the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

**(Table 2)**  
Changes in Net Assets  
Governmental Activities

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| <b>Receipts</b>                              |                   |                   |
| <b>Program Receipts</b>                      |                   |                   |
| Charges for Services and Sales               | \$ 700,143        | \$ 621,879        |
| Operating Grants, Contributions and Interest | 4,145,244         | 4,894,841         |
| Capital Grants, Contributions and Interest   | 4,969             | 30,844            |
| Total Program Receipts                       | <u>4,850,356</u>  | <u>5,547,564</u>  |
| <b>General Receipts</b>                      |                   |                   |
| Property Taxes                               | 7,305,495         | 6,884,753         |
| Grants and Entitlements, Not Restricted      | 12,687,513        | 12,739,450        |
| Proceeds from the Sale of Assets             |                   | 23,974            |
| Investment Earnings                          | 37,936            | 32,166            |
| Other  | 177,242           | 148,886           |
| Total General Receipts                       | <u>20,208,186</u> | <u>19,829,229</u> |
| Total Receipts                               | <u>25,058,542</u> | <u>25,376,793</u> |

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(CONTINUED)**

**Table 2**  
Change in Net Assets  
Governmental Activities  
(Continued)

| <b>Program Disbursements</b>            |                       |                       |
|---|-----------------------|-----------------------|
| Instruction:                            |                       |                       |
| Regular                                 | 11,049,614            | 11,583,716            |
| Special                                 | 2,363,594             | 2,038,774             |
| Vocational                              | 390,095               | 219,743               |
| Adult/Continuing Education              | 98,598                | 489,687               |
| Student Intervention Services           | 27,747                | 301,574               |
| Other                                   | 40,057                |                       |
| Support Services:                       |                       |                       |
| Pupils                                  | 1,173,036             | 1,392,350             |
| Instructional Staff                     | 2,828,541             | 2,547,523             |
| Board of Education                      | 41,957                | 29,316                |
| Administration                          | 1,764,619             | 2,239,694             |
| Fiscal                                  | 975,611               | 826,277               |
| Business                                | 100,522               |                       |
| Operation and Maintenance of Plant      | 2,180,140             | 2,437,809             |
| Pupil Transportation                    | 607,575               | 878,185               |
| Central                                 | 69,959                | 121,390               |
| Operation of Non-instructional Services |                       |                       |
| Food Service Operations                 | 1,060,096             | 1,072,662             |
| Other                                   | 383,431               | 308,799               |
| Extracurricular Activities              | 458,917               | 463,179               |
| Capital Outlay                          | 756,631               | 323,184               |
| Debt Service:                           |                       |                       |
| Principal                               | 110,148               | 200,820               |
| Interest                                | 743,972               | 727,782               |
| Total Program Disbursements             | <u>27,224,860</u>     | <u>28,202,464</u>     |
| Decrease in Net Assets                  | <u>\$ (2,166,318)</u> | <u>\$ (2,825,671)</u> |
| Ending Net Assets                       | <u>\$ 5,866,566</u>   | <u>\$ 8,032,884</u>   |

Net assets of the District's governmental activities decreased \$2,166,318. The main cause for this decrease is due to decrease in operating grants and grants and entitlements not restricted to specific programs. Operating grants, contributions and interest decreased by 15.31% due to the expiration of Federal stimulus grants.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(CONTINUED)**

**Governmental Activities**

The District has carefully planned its financial existence by forecasting its receipts and disbursements over the next five years. The District's receipts growth is mostly dependent upon property tax increases and new construction. Property taxes made up 29 percent of receipts for governmental activities for the District in fiscal year 2012. Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Instruction comprises 51 percent of governmental program disbursements. Additional supporting services for pupils, staff and business operations encompassed an additional 36 percent. The remaining 13 percent of program disbursements are used for other obligations of the District such as noninstructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. Comparisons of fiscal years 2012 to 2011 have been made in Table 3.

**(Table 3)**  
Total and Net Cost of Program Services  
Governmental Activities

|   | Total Cost<br>of Services<br>2012 | Total Cost<br>of Services<br>2011 | Net Cost<br>of Services<br>2012 | Net Cost<br>of Services<br>2011 |
|---|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Instruction                             |                                   |                                   |                                 |                                 |
| Regular                                 | \$ 11,049,614                     | \$ 11,583,716                     | \$ 9,783,308                    | \$ 10,579,037                   |
| Special                                 | 2,363,594                         | 2,038,774                         | 2,059,076                       | 860,913                         |
| Vocational                              | 390,095                           | 219,743                           | 390,095                         | 219,743                         |
| Adult/Continuing Education              | 98,598                            | 489,687                           | (37,917)                        | 42,440                          |
| Student Intervention Services           | 27,747                            |                                   |                                 |                                 |
| Other                                   | 40,057                            | 301,574                           | (9,944)                         | 3,441                           |
| Support Services:                       |                                   |                                   |                                 |                                 |
| Pupil                                   | 1,173,036                         | 1,392,350                         | 1,034,271                       | 1,300,087                       |
| Instructional Staff                     | 2,828,541                         | 2,547,523                         | 1,496,459                       | 2,272,121                       |
| Board of Education                      | 41,957                            | 29,316                            | 41,957                          | 29,316                          |
| Administration                          | 1,764,619                         | 2,239,694                         | 1,711,774                       | 1,666,872                       |
| Fiscal                                  | 975,611                           | 826,277                           | 975,611                         | 643,637                         |
| Business                                | 100,522                           |                                   | 46,615                          |                                 |
| Operation and Maintenance of Plant      | 2,180,140                         | 2,437,809                         | 2,132,646                       | 2,437,809                       |
| Pupil Transportation                    | 607,575                           | 878,185                           | 565,424                         | 872,186                         |
| Central                                 | 69,959                            | 121,390                           | (3,651)                         | 112,390                         |
| Operation of Non-Instructional Services |                                   |                                   |                                 |                                 |
| Food Service Operations                 | 1,060,096                         | 1,072,662                         | 71,370                          | (25,945)                        |
| Other                                   | 383,431                           | 308,799                           | 178,796                         | 308,799                         |
| Extracurricular Activities              | 458,917                           | 463,179                           | 332,832                         | 118,543                         |
| Capital Outlay                          | 756,631                           | 323,184                           | 751,662                         | 292,340                         |
| Debt Service:                           |                                   |                                   |                                 |                                 |
| Principal                               | 110,148                           | 200,820                           | 110,148                         | 193,389                         |
| Interest                                | 743,972                           | 727,782                           | 743,972                         | 727,782                         |
| <b>Total</b>                            | <b>\$ 27,224,860</b>              | <b>\$ 28,202,464</b>              | <b>\$ 22,374,504</b>            | <b>\$ 22,654,900</b>            |

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(CONTINUED)**

Program receipts include charges for services, grants and contributions that are program specific. Surrounding schools with resident students attending Fostoria City School District pay the District per pupil under Ohio's open enrollment plan. The community, as a whole, is by far the primary support for Fostoria City School District students.

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund balance of \$5,866,566, which is lower than the prior year balance of \$8,032,884.

The general fund had total cash receipts, including other financing sources, of \$19,913,070. The cash disbursements, including other financing uses, of the general fund totaled \$21,959,418. The general fund's fund balance decreased \$2,046,348 in fiscal year 2012. The decrease in fund balance can be attributed to increasing costs exceeding lower overall receipts.

The bond retirement fund had total cash receipts, including other financing sources, of \$933,621 and total cash disbursements of \$866,062, for an increase in fund balance of \$67,559 in fiscal year 2012. The increase in fund balance is primarily due to an increase in transfers during fiscal year 2012.

The permanent improvement fund had total cash receipts of \$298,532 and total cash disbursements of \$512,507, for a decrease in fund balance of \$213,975 in fiscal year 2012. The decrease in fund balance is primarily due to an increase in capital outlay disbursements.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, final budget basis receipts and other financing sources were \$20,882,287, representing a decrease of \$1,845,622 from the original estimate of \$22,727,909. Actual receipts and other financing sources of \$19,838,065 were \$1,044,222 less than the final budget. Of this decrease, most was attributable to a decrease in intergovernmental, investment income and tuition and fees.

For fiscal year 2012, the general fund final budget basis disbursements and other financing uses were \$25,293,960, which is more than the original budgeted disbursements and other financing uses of \$26,912,142. Actual disbursements and other financing uses of \$22,627,976 were \$2,665,984 lower than the final budget. This was due to the district trying to reduce spending.

**Capital Assets**

The District does not record capital assets in the accompanying cash basis financial statements. The District records payments for capital assets as disbursements.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(CONTINUED)**

**Debt**

At June 30, 2012, the District had \$4,710,468 in debt outstanding with \$745,000 due within one year. The District's total debt decreased by \$508,241 during the current fiscal year. The key factor in this decrease was the payment of debt.

**Current Issues**

One challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. On May 16, 2003, the Ohio Supreme Court emphatically clarified that jurisdiction of the DeRolph case had ended. The District does not anticipate growth in state receipts, as in the ten years prior to the DeRolph decision; no state revenue growth was realized. From a legislative standpoint many decisions have been made that have a deteriorating effect on school revenues: the decision in past years to raise the charge off millage on the school foundation program to 23 mills from 20 mills; the decision to phase out the personal property tax; the decision to grant authority to the State Department of Taxation charging a fee to distribute rollback; homestead and personal property tax. Now with HB 66 the decision to totally eliminate all Tangible Personal Property Taxes is a significant change in state policy. This represents approximately 30% of our local revenue, the State is reimbursing schools until 2011 but this will be a challenge for our community to come up with a way to replace this revenue source.

The public schools in Ohio also face the challenges of meeting many unfunded mandates by both the state and federal government. Examples would be Educational Management Information System (state) and No Child Left Behind (federal) compliance.

**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 show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Norm Elchert, Treasurer of Fostoria City School District, 500 Parkway Drive Fostoria, Ohio 44830-1513.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2012**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Assets</b>                           |                                    |
| Equity in Pooled Cash and Investments   | \$ 5,152,115                       |
| Cash and Investments with Escrow Agents | 714,451                            |
| <br>Total Assets                        | <br>\$ 5,866,566                   |
| <br><b>Net Assets</b>                   |                                    |
| Restricted for:                         |                                    |
| Capital Outlay                          | \$ 1,132,361                       |
| Debt Service                            | 869,256                            |
| Other Purposes                          | 99,897                             |
| State Funded Programs                   | 44,717                             |
| Federally Funded Programs               | 357,088                            |
| Bus Purchases                           | 14,198                             |
| Unrestricted                            | 3,349,049                          |
| <br>Total Net Assets                    | <br>\$ 5,866,566                   |

*See accompanying notes to the basic financial statements*

FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

|   | Program Cash Receipts                |   |   | Net (Disbursements)<br>Receipts and Changes<br>in Net Assets |
|---|--------------------------------------|---|---|--|
| Cash<br>Disbursements                                       | Charges for<br>Services<br>and Sales | Operating<br>Grants,<br>Contributions<br>and Interest | Capital<br>Grants,<br>Contributions<br>and Interest | Governmental<br>Activities                                   |
| <b>Governmental Activities</b>                              |                                      |   |   |  |
| Instruction:  |                                      |   |   |  |
| Regular   | \$ 11,049,614                        | \$ 341,393  | \$ 924,913  | \$ (9,783,308)   |
| Special   | 2,363,594                            |   | 304,518   | (2,059,076)  |
| Vocational  | 390,095                              |   |   | (390,095)  |
| Adult/Continuing  | 98,598                               |   | 136,515   | 37,917   |
| Student Intervention Services                               | 27,747                               |   | 27,747  |  |
| Other   | 40,057                               | 9,944   | 40,057  | 9,944  |
| Support Services:   |                                      |   |   |  |
| Pupils  | 1,173,036                            |   | 138,765   | (1,034,271)  |
| Instructional Staff   | 2,828,541                            |   | 1,332,082   | (1,496,459)  |
| Board of Education  | 41,957                               |   |   | (41,957)   |
| Administration  | 1,764,619                            | 21,594  | 31,251  | (1,711,774)  |
| Fiscal  | 975,611                              |   |   | (975,611)  |
| Business  | 100,522                              |   | 53,907  | (46,615)   |
| Operation and Maintenance of Plant                          | 2,180,140                            |   | 47,494  | (2,132,646)  |
| Pupil Transportation  | 607,575                              |   | 42,151  | (565,424)  |
| Central   | 69,959                               |   | 73,610  | 3,651  |
| Operation of Non-Instructional Services:                    |                                      |   |   |  |
| Food Service Operations                                     | 1,060,096                            | 208,713   | 780,013   | (71,370)   |
| Other   | 383,431                              |   | 204,635   | (178,796)  |
| Extracurricular Activities                                  | 458,917                              | 118,499   | 7,586   | (332,832)  |
| Capital Outlay  | 756,631                              |   |   | \$ 4,969<br>(751,662)  |
| Debt Service:   |                                      |   |   |  |
| Principal Retirement  | 110,148                              |   |   | (110,148)  |
| Interest and Fiscal Charges                                 | 743,972                              |   |   | (743,972)  |
| Total Governmental Activities                               | \$ 27,224,860                        | \$ 700,143  | \$ 4,145,244  | \$ 4,969<br>(22,374,504)                                     |
| <b>General Receipts</b>                                     |                                      |   |   |  |
| Property Taxes Levied for:                                  |                                      |   |   |  |
| General Purposes  |                                      |   |   | 6,622,460  |
| Debt Service  |                                      |   |   | 472,380  |
| Capital Outlay  |                                      |   |   | 210,655  |
| Grants and Entitlements not Restricted to Specific Programs |                                      |   |   | 12,687,513   |
| Payments in Lieu of Taxes                                   |                                      |   |   | 40,000   |
| Investment Earnings   |                                      |   |   | 37,936   |
| Miscellaneous   |                                      |   |   | 137,242  |
|   |                                      |   |   | 20,208,186   |
| Total General Receipts                                      |                                      |   |   | 20,208,186   |
| Change in Net Assets  |                                      |   |   | (2,166,318)  |
| Net Assets Beginning of Year                                |                                      |   |   | 8,032,884  |
| Net Assets End of Year                                      |                                      |   |   | \$ 5,866,566   |

See accompanying notes to the basic financial statements



**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

|   | <u>General<br/>Fund</u> | <u>Bond<br/>Retirement<br/>Fund</u> | <u>Permanent<br/>Improvement<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|-------------------------------------|---|---|---|
| <b>Assets</b>                           |                         |                                     |   |   |   |
| Equity in Pooled Cash and Investments   | \$ 3,349,049            | \$ 169,080                          | \$ 1,084,574                              | \$ 535,214                              | \$ 5,137,917                            |
| Restricted Cash and Investments         | 14,198                  |                                     |   |   | 14,198                                  |
| Cash and Investments with Escrow Agents |                         | 714,451                             |   |   | 714,451                                 |
| Total Assets                            | <u>\$ 3,363,247</u>     | <u>\$ 883,531</u>                   | <u>\$ 1,084,574</u>                       | <u>\$ 535,214</u>                       | <u>\$ 5,866,566</u>                     |
| <b>Fund Balances</b>                    |                         |                                     |   |   |   |
| Restricted                              | \$ 14,198               | \$ 883,531                          | \$ 1,084,574                              | \$ 535,214                              | \$ 2,517,517                            |
| Assigned                                | 2,514,916               |                                     |   |   | 2,514,916                               |
| Unassigned                              | 834,133                 |                                     |   |   | 834,133                                 |
| Total Fund Balances                     | <u>\$ 3,363,247</u>     | <u>\$ 883,531</u>                   | <u>\$ 1,084,574</u>                       | <u>\$ 535,214</u>                       | <u>\$ 5,866,566</u>                     |

*See accompanying notes to the basic financial statements*

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|   | General<br>Fund     | Bond<br>Retirement<br>Fund | Permanent<br>Improvement<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|----------------------------|----------------------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>   |                     |                            |                                  |                                |                                |
| Property and Other Local Taxes                          | \$ 6,622,460        | \$ 472,380                 | \$ 210,655                       |                                | \$ 7,305,495                   |
| Intergovernmental                                       | 12,471,025          | 205,656                    | 82,908                           | \$ 4,052,475                   | 16,812,064                     |
| Investment Income                                       | 21,767              | 16,169                     | 4,969                            |                                | 42,905                         |
| Tuition and Fees  | 345,397             |                            |                                  |                                | 345,397                        |
| Extracurricular Activities                              | 21,594              |                            |                                  | 118,481                        | 140,075                        |
| Gifts and Donations                                     | 11,262              |                            |                                  | 7,301                          | 18,563                         |
| Charges for Services                                    |                     |                            |                                  | 208,729                        | 208,729                        |
| Payments in Lieu of Taxes                               | 40,000              |                            |                                  |                                | 40,000                         |
| Rent  | 5,938               |                            |                                  |                                | 5,938                          |
| Miscellaneous   | 138,844             |                            |                                  |                                | 138,844                        |
| <b>Total Receipts</b>                                   | <b>19,678,287</b>   | <b>694,205</b>             | <b>298,532</b>                   | <b>4,386,986</b>               | <b>25,058,010</b>              |
| <b>Disbursements</b>                                    |                     |                            |                                  |                                |                                |
| Current:  |                     |                            |                                  |                                |                                |
| Instruction:  |                     |                            |                                  |                                |                                |
| Regular   | 10,472,741          |                            |                                  | 576,873                        | 11,049,614                     |
| Special   | 2,002,654           |                            |                                  | 360,940                        | 2,363,594                      |
| Vocational  | 390,095             |                            |                                  |                                | 390,095                        |
| Adult/Continuing  | 18,920              |                            |                                  | 79,678                         | 98,598                         |
| Student Intervention Services                           |                     |                            |                                  | 27,747                         | 27,747                         |
| Other   |                     |                            |                                  | 40,057                         | 40,057                         |
| Support Services:                                       |                     |                            |                                  |                                |                                |
| Pupils  | 1,020,708           |                            |                                  | 152,328                        | 1,173,036                      |
| Instructional Staff                                     | 1,466,915           |                            |                                  | 1,361,626                      | 2,828,541                      |
| Board of Education                                      | 41,957              |                            |                                  |                                | 41,957                         |
| Administration  | 1,709,043           |                            |                                  | 55,576                         | 1,764,619                      |
| Fiscal  | 957,195             | 11,942                     | 6,474                            |                                | 975,611                        |
| Business  | 59,863              |                            |                                  | 40,659                         | 100,522                        |
| Operation and Maintenance of Plan                       | 2,144,079           |                            |                                  | 36,061                         | 2,180,140                      |
| Pupil Transportation                                    | 569,859             |                            |                                  | 37,716                         | 607,575                        |
| Central   | 47,925              |                            |                                  | 22,034                         | 69,959                         |
| Extracurricular Activities                              | 324,249             |                            |                                  | 134,668                        | 458,917                        |
| Operation of Non-Instructional Services:                |                     |                            |                                  |                                |                                |
| Food Service Operations                                 |                     |                            |                                  | 1,060,096                      | 1,060,096                      |
| Other   | 33,676              |                            |                                  | 349,755                        | 383,431                        |
| Capital Outlay  | 250,598             |                            | 506,033                          |                                | 756,631                        |
| Debt Service:   |                     |                            |                                  |                                |                                |
| Principal Retirement                                    |                     | 110,148                    |                                  |                                | 110,148                        |
| Interest and Fiscal Charges                             |                     | 743,972                    |                                  |                                | 743,972                        |
| <b>Total Disbursements</b>                              | <b>21,510,477</b>   | <b>866,062</b>             | <b>512,507</b>                   | <b>4,335,814</b>               | <b>27,224,860</b>              |
| Excess of Receipts Over (Under) Disbursements           | (1,832,190)         | (171,857)                  | (213,975)                        | 51,172                         | (2,166,850)                    |
| <b>Other Financing Sources (Uses)</b>                   |                     |                            |                                  |                                |                                |
| Insurance Recoveries                                    | 532                 |                            |                                  |                                | 532                            |
| Advances In   | 234,251             |                            |                                  | 84,525                         | 318,776                        |
| Advances Out  | (84,525)            |                            |                                  | (234,251)                      | (318,776)                      |
| Transfers In  |                     | 239,416                    |                                  | 125,000                        | 364,416                        |
| Transfers Out   | (364,416)           |                            |                                  |                                | (364,416)                      |
| <b>Total Other Financing Sources (Uses)</b>             | <b>(214,158)</b>    | <b>239,416</b>             | <b></b>                          | <b>(24,726)</b>                | <b>532</b>                     |
| Net Change in Fund Balances                             | (2,046,348)         | 67,559                     | (213,975)                        | 26,446                         | (2,166,318)                    |
| Fund Balances Beginning of Year - Restated (See Note 3) | 5,409,595           | 815,972                    | 1,298,549                        | 508,768                        | 8,032,884                      |
| Fund Balances End of Year                               | <u>\$ 3,363,247</u> | <u>\$ 883,531</u>          | <u>\$ 1,084,574</u>              | <u>\$ 535,214</u>              | <u>\$ 5,866,566</u>            |

See accompanying notes to the basic financial statements

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|  | Original Budget     | Final Budget       | Actual              | Variance with<br>Final Budget |
|--|---------------------|--------------------|---------------------|-------------------------------|
| <b>Receipts</b>  |                     |                    |                     |                               |
| Property and Other Local Taxes                         | \$ 6,603,604        | \$ 6,497,594       | \$ 6,622,460        | \$ 124,866                    |
| Intergovernmental                                      | 13,665,651          | 12,632,039         | 12,471,025          | (161,014)                     |
| Investment Income                                      | 198,000             | 198,000            | 21,767              | (176,233)                     |
| Tuition and Fees                                       | 594,902             | 559,902            | 345,397             | (214,505)                     |
| Payments in Lieu of Taxes                              | 49,500              | 40,000             | 40,000              |                               |
| Rent   | 1,485               | 1,485              | 5,938               | 4,453                         |
| Miscellaneous  | 140,812             | 300,812            | 96,695              | (204,117)                     |
| <b>Total Receipts</b>                                  | <b>21,253,954</b>   | <b>20,229,832</b>  | <b>19,603,282</b>   | <b>(626,550)</b>              |
| <b>Disbursements</b>                                   |                     |                    |                     |                               |
| <b>Current:</b>  |                     |                    |                     |                               |
| <b>Instruction:</b>                                    |                     |                    |                     |                               |
| Regular  | 11,548,679          | 11,182,014         | 10,942,203          | 239,811                       |
| Special  | 2,408,107           | 2,408,107          | 2,016,166           | 391,941                       |
| Vocational   | 244,945             | 321,500            | 390,315             | (68,815)                      |
| Adult/Continuing                                       | 217,897             | 22,897             | 18,920              | 3,977                         |
| Other  | 130,097             | 130,097            |                     | 130,097                       |
| <b>Support Services:</b>                               |                     |                    |                     |                               |
| Pupils   | 1,446,541           | 1,446,541          | 1,049,076           | 397,465                       |
| Instructional Staff                                    | 2,173,321           | 2,173,321          | 1,501,933           | 671,388                       |
| Board of Education                                     | 80,072              | 81,572             | 41,957              | 39,615                        |
| Administration   | 1,680,487           | 1,685,487          | 1,656,994           | 28,493                        |
| Fiscal   | 946,801             | 1,116,801          | 969,698             | 147,103                       |
| Business   |                     | 380,600            | 59,863              | 320,737                       |
| Operation and Maintenance of Plant                     | 2,774,171           | 2,776,073          | 2,193,454           | 582,619                       |
| Pupil Transportation                                   | 1,333,893           | 1,234,470          | 661,642             | 572,828                       |
| Central  | 66,863              | 66,863             | 47,925              | 18,938                        |
| Extracurricular Activities                             | 349,423             | 349,423            | 324,249             | 25,174                        |
| <b>Operation of Non-Instructional Services:</b>        |                     |                    |                     |                               |
| Food Service Operations                                | 6,740               | 6,740              | 7,092               | (352)                         |
| Community Services                                     | 75,045              | 50,202             | 26,584              | 23,618                        |
| Capital Outlay   | 172,011             |                    | 270,964             | (270,964)                     |
| <b>Total Disbursements</b>                             | <b>25,655,093</b>   | <b>25,432,708</b>  | <b>22,179,035</b>   | <b>3,253,673</b>              |
| <b>Excess of Disbursements over Receipts</b>           | <b>(4,401,139)</b>  | <b>(5,202,876)</b> | <b>(2,575,753)</b>  | <b>2,627,123</b>              |
| <b>Other Financing Sources (Uses)</b>                  |                     |                    |                     |                               |
| Proceeds from Sale of Capital Assets                   | 30,000              | 30,000             |                     | (30,000)                      |
| Refund of Prior Year Receipts                          | (160,847)           |                    |                     |                               |
| Insurance Recoveries                                   | 50,000              | 50,000             | 532                 | (49,468)                      |
| Advances In  | 350,000             | 297,100            | 234,251             | (62,849)                      |
| Advances Out   | (450,424)           | 238,748            | (84,525)            | (323,273)                     |
| Transfers In   | 1,043,955           | 275,355            |                     | (275,355)                     |
| Transfers Out  | (645,778)           | (100,000)          | (364,416)           | (264,416)                     |
| <b>Total Other Financing Sources (Uses)</b>            | <b>216,906</b>      | <b>791,203</b>     | <b>(214,158)</b>    | <b>(1,005,361)</b>            |
| <b>Net Change in Fund Balance</b>                      | <b>(4,184,233)</b>  | <b>(4,411,673)</b> | <b>(2,789,911)</b>  | <b>1,621,762</b>              |
| Fund Balance Beginning of Year - Restated (See Note 3) | 4,867,181           | 4,867,181          | 4,867,181           |                               |
| Prior Year Encumbrances Appropriated                   | 519,023             | 519,023            | 519,023             |                               |
| <b>Fund Balance End of Year</b>                        | <b>\$ 1,201,971</b> | <b>\$ 974,531</b>  | <b>\$ 2,596,293</b> | <b>\$ 1,621,762</b>           |

See accompanying notes to the basic financial statements

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

|  | <b>Private Purpose<br/>Trust</b> | <b>Agency</b> |
|--|----------------------------------|---------------|
| <b>Assets</b>                                    |                                  |               |
| Equity in Pooled Cash and Investments            | \$ 84,708                        | \$ 27,410     |
| Cash and Cash Equivalents in Segregated Accounts |                                  | 398           |
|  | \$ 84,708                        | \$ 27,808     |
| Total Assets                                     | \$ 84,708                        | \$ 27,808     |
| <br><b>Net Assets</b>                            |                                  |               |
| Held in Trust for Scholarships                   | \$ 84,708                        |               |
| Held for Student Activities                      |                                  | \$ 27,808     |
|  | \$ 84,708                        | \$ 27,808     |
| Total Net Assets                                 | \$ 84,708                        | \$ 27,808     |

*See accompanying notes to the basic financial statements*

FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

|  | <u>Private<br/>Purpose Trust</u> |
|--|----------------------------------|
| <b>Additions</b>                             |                                  |
| Gifts and Contributions                      | \$ 900                           |
| Interest                                     | <u>28</u>                        |
| Total Additions                              | <u>928</u>                       |
| <br>   |                                  |
| <b>Deductions</b>                            |                                  |
| Payments in Accordance with Trust Agreements | <u>3,500</u>                     |
| Change in Net Assets                         | (2,572)                          |
| Net Assets Beginning of Year                 | <u>87,280</u>                    |
| Net Assets End of Year                       | <u><u>\$ 84,708</u></u>          |

*See accompanying notes to the basic financial statements*

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**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 - REPORTING ENTITY**

The Fostoria City District, Seneca County, Ohio (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 statute and/or federal guidelines.

The District was established in 1856 through the consolidation of existing land areas and Districts. The District serves an area of approximately 32 square miles. It is located in Seneca County, but also encompasses portions of Hancock and Wood Counties and includes all of the City of Fostoria. The District is the 276<sup>th</sup> largest in the State of Ohio (among 922 public and community Districts) in terms of enrollment. It is staffed by non-certified employees and certified full-time teaching personnel who provide services to students and other community members. The District currently operates four instructional buildings, one administrative building, and three garages.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

**A. Primary Government**

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

**B. Component Units**

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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units.

**C. Other Organizations**

The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 1 - REPORTING ENTITY – (Continued)**

**JOINTLY GOVERNED ORGANIZATIONS**

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the NOECA, which is a computer consortium. NOECA is an association of forty-one public Districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The NOECA Board of Directors consists of two representatives from each county in which participating Districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. The District paid \$44,760 to NOECA during the fiscal year. Financial information can be obtained from Betty Rando, who serves as Director, 219 Howard Drive, Sandusky, Ohio 44870.

Vanguard-Sentinel Career and Technology Centers

Vanguard-Sentinel Career and Technology Centers is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Center is operated under the direction of a Board consisting of one representative from each of the participating Districts' elected boards, and two representatives from the Fremont City School District. The degree of control exercised by any participating District is limited to its representation on the Board. The Center is its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Career and Technology Centers at 1306 Cedar Street, Fremont, Ohio 43420.

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six Districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating District. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. The District paid \$40,993 to BACG during the fiscal year. Financial information is available from the North Point Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

State Support Team Region 1

The State Support Team Region 1 ("SST1") is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SST1 is governed by a board made up of members of the participating entities. The degree of control exercised by any participating District is limited to its representation on the Board. Financial information can be obtained by contacting Lynn McKahan, Director, at 2275 Collingwood Boulevard, Suite C, Toledo, Ohio 43620.



**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 1 - REPORTING ENTITY – (Continued)**

**PUBLIC ENTITY RISK POOLS**

Ohio School Plan

The District participates in the Ohio School Plan (the “Plan”), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan 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 Plan’s business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan’s administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

The District’s management believes these financial statements present all activities for which the District is financially accountable.

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

As discussed in Note 2.A, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the District’s accounting policies.

**A. Basis of Accounting**

The District’s financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and expenses for goods and services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**B. Fund Accounting**

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets or fund equity, receipts and disbursements. Funds of the District are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

*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 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 financial resources to be used for the payment of the District's debt.

*Permanent Improvement Fund* – The permanent improvement fund is used to account for financial resources to be used for the acquisition, construction and remodeling or repairing of major capital facilities.

Other governmental funds of the District are used to account grants and other resources to which the District is bound to observe constraints imposed upon the use of the resources.

**FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The District's fiduciary funds include private purpose trust funds and agency funds. The District's private purpose trust fund accounts for scholarships and an endowment. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include various student-managed activities.

**C. Basis of Presentation**

*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.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Government-Wide Statement of Activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified cash basis or draws from the general receipts of the District.

Fund Financial Statements - Governmental fund equity is classified as 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:

- a. Non-spendable - The non-spendable 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.
- b. 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 is imposed by law through constitutional provisions.
- c. 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.
- d. 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. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Educations may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. 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.

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District first applies restricted resources when a disbursement 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.

**D. 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 fund level. Any budgetary modifications at this level may only be made by the Board of Education.

The certificate of estimated resources may be amended during the 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 year with the restrictions that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation 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.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2012, investments were limited to State Treasury Asset Reserve of Ohio (STAROhio), certificates of deposit, federal agency securities, First American Treasury and government obligations and a U.S. government money market. Investments are reported at cost.

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District has invested funds in the STAROhio during fiscal year 2012. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the fund from which the investment was made. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$21,767, which includes \$7,582 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include the unspent receipts from the State for bus purchases.

**G. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**I. Accumulated Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**L. Net Assets**

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

**M. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as disbursements in the purchaser funds. Subsidies 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 disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds is eliminated in the Statement of Activities.

**NOTE 3 – ACCOUNTING CHANGE**

During fiscal year 2012, it was determined the District had recorded various tax and intergovernmental receipts and disbursements in the incorrect funds in prior fiscal years. The restatements had the following effect on the District's governmental fund balances as previously reported:

|                                       | <u>General</u>      | <u>Bond Retirement</u> | <u>Permanent Improvement</u> | <u>Nonmajor Governmental</u> | <u>Total Governmental</u> |
|---------------------------------------|---------------------|------------------------|------------------------------|------------------------------|---------------------------|
| Fund balance as previously reported   | \$ 4,041,066        | \$ 1,055,937           | \$ 1,968,395                 | \$ 967,486                   | \$ 8,032,884              |
| Accounting Change                     | 1,368,529           | (239,965)              | (669,846)                    | (458,718)                    |                           |
| Restated fund balance at July 1, 2011 | <u>\$ 5,409,595</u> | <u>\$ 815,972</u>      | <u>\$ 1,298,549</u>          | <u>\$ 508,768</u>            | <u>\$ 8,032,884</u>       |

The fund restatements had no effect on net assets as previously reported.

The fund restatement had the following effect on the General Fund's budgetary basis fund balance at June 30, 2011:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 3 – ACCOUNTING CHANGE – (Continued)**

|                          | <u>General Fund</u> |
|--------------------------|---------------------|
| Balance at June 30, 2011 | \$ 3,498,652        |
| Accounting Change        | <u>1,368,529</u>    |
| Budget Basis             | <u>\$ 4,867,181</u> |

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that 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 may be deposited or invested in the following securities:

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

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstance, corporate debt interest rate in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$75 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

**B. Cash with Escrow Agent**

At fiscal year end the District had \$714,451, in cash with escrow agent to accumulate the required sinking fund deposits for the retirement of the Qualified Zone Academy Bonds (See Note 7.C for detail). This amount is included on the financial statements as "cash with escrow agent" and is included in investments below.

**C. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$870,509. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$446,762 of the District's bank balance of \$903,948 was exposed to custodial risk as discussed below, while \$457,186 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all 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.



**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

**D. Investments**

As of June 30, 2012, the District had the following investments and maturities:

|  | Security<br>Ratings | Cost               | % of<br>Investment |                    |                    |
|--|---------------------|--------------------|--------------------|--------------------|--------------------|
|  |                     |                    | Total              | 0-1 Years          | 1-5 Years          |
| Federal Home Loan Mortgage Corporation   | AA+                 | \$ 99,922          | 1.96%              | \$ 99,922          |                    |
| Federal Home Loan Bank                   | AA+                 | 1,239,837          | 24.27%             | 405,000            | \$ 834,837         |
| Federal National Mortgage Association    | AA+                 | 1,928,159          | 37.74%             | 829,197            | 1,098,962          |
| STAROhio                                 | AAAm                | 494,648            | 9.68%              | 494,648            |                    |
| U.S. Treasury Bill                       | AA+                 | 199,656            | 3.91%              |                    | 199,656            |
| First American Treasury Obligation       | AA+                 | 6,117              | 0.12%              | 6,117              |                    |
| Repurchase Agreement                     |                     | 96,762             | 1.89%              | 96,762             |                    |
| Federal Farm Credit Corporation          | AA+                 | 224,519            | 4.40%              |                    | 224,519            |
| Federal Home Loan Mortgage Discount Note | A-1+                | 663,885            | 13.00%             | 154,993            | 508,892            |
| Federal Home Loan Bank Discount          | A-1+                | 154,993            | 3.03%              | 154,672            |                    |
|  |                     | <b>\$5,108,498</b> | <b>100.00%</b>     | <b>\$2,241,311</b> | <b>\$2,866,866</b> |

*Interest Rate Risk:* Interest rate risk arises potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAm by Standard and Poor's.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. Treasury Bills are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount the District may invest in any one issuer; however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. More than 5 percent of the District's investments are in securities as listed in the chart above.

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers and advances for the fiscal year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

|                      | Transfers In | Transfers Out |
|----------------------|--------------|---------------|
| Governmental Funds:  |              |               |
| General Fund         |              | \$ 364,416    |
| Bond Retirement Fund | \$ 239,416   |               |
| Other Governmental   | 125,000      |               |
|                      | \$ 364,416   | \$ 364,416    |
|                      |              |               |
|                      | Advances In  | Advances Out  |
| Governmental Funds:  |              |               |
| General Fund         | \$ 234,251   | \$ 84,525     |
| Other Governmental   | 84,525       | 234,251       |
|                      | \$ 318,776   | \$ 318,776    |

Advances were made to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, repayments of advances were made to the general fund from various other governmental funds.

During fiscal year 2012, the General Fund transferred \$239,416 to the Bond Retirement Fund to be used for debt service payments, and also transferred \$125,000 to Other Governmental Funds to subsidize the activities of those funds.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. 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 revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 6 - PROPERTY TAXES – (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The District receives property taxes from Seneca, Hancock and Wood Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

|  | <b>2011 Second-<br/>Half Collections</b> |                | <b>2012 First-<br/>Half Collections</b> |                |
|--|--|----------------|---|----------------|
|  | <b>Amount</b>                            | <b>Percent</b> | <b>Amount</b>                           | <b>Percent</b> |
| Agricultural/Residential                   | \$130,125,360                            | 70.88%         | \$124,224,300                           | 71.17%         |
| Commercial/Industrial                      | 53,469,610                               | 29.12%         | 50,322,420                              | 28.83%         |
| Public Utility                             |  |                |   |                |
| <b>Total</b>                               | <b>\$183,594,970</b>                     | <b>100.00%</b> | <b>\$174,546,720</b>                    | <b>100.00%</b> |
| Tax rate per \$1,000 of assessed valuation | \$63.30                                  |                | \$63.38                                 |                |

**NOTE 7 – LONG-TERM OBLIGATIONS**

A. During the fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

|                                       |            | Balance<br>June 30,<br>2011 | Additions         | Reductions        | Balance<br>June 30,<br>2012 | Due<br>Within<br>One Year |
|---------------------------------------|------------|-----------------------------|-------------------|-------------------|-----------------------------|---------------------------|
| General Obligation Bonds              |            |                             |                   |                   |                             |                           |
| Middle School Refinancing             |            |                             |                   |                   |                             |                           |
| Current Interest Bonds                | 3.2-4.7%   | \$ 2,190,000                |                   |                   | \$ 2,190,000                |                           |
| Capital Appreciation Bonds            | 4.55-4.75% | 285,685                     |                   | \$ 110,148        | 175,537                     | \$ 94,310                 |
| Accretion                             |            | 1,505,024                   | \$ 236,759        | 634,852           | 1,106,931                   | 650,690                   |
| QZAB                                  | 0.50%      | 1,238,000                   |                   |                   | 1,238,000                   |                           |
| <b>Total General Obligation Bonds</b> |            | <b>\$ 5,218,709</b>         | <b>\$ 236,759</b> | <b>\$ 745,000</b> | <b>\$ 4,710,468</b>         | <b>\$ 745,000</b>         |

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 7 – LONG-TERM OBLIGATIONS – (Continued)**

- B. Middle School Refinancing Bonds** - On January 1, 1999, the District issued middle school refinancing general obligation bonds. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as disbursements in the bond retirement fund.

This issue is comprised of both current interest bonds, par value \$8,610,000, and capital appreciation bonds, par value \$413,505. The interest rates on the current interest bonds range from 3.20% to 4.70%. The capital appreciation bonds mature on December 1, 2010 (effective interest 4.55%), December 1, 2011 (effective interest 4.60%), December 1, 2012 (effective interest 4.70%) and December 1, 2013 (effective interest 4.75%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for each capital appreciation bond is \$745,000. The District has a total of \$1,106,931 in accreted interest on the capital appreciation bonds as of June 30, 2012.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final stated maturity date for the issue is December 1, 2016.

The following is a summary of the future debt service requirements to maturity for the middle school refinancing general obligation bonds:

| Fiscal Year | Current Interest<br>Bonds | Capital<br>Appreciation<br>Bonds | Interest/<br>Accretion | Total              |
|-------------|---------------------------|----------------------------------|------------------------|--------------------|
| 2013        |                           | \$94,310                         | \$753,620              | \$847,930          |
| 2014        |                           | 81,227                           | 766,703                | 847,930            |
| 2015        | \$735,000                 |                                  | 85,657                 | 820,657            |
| 2016        | 770,000                   |                                  | 50,290                 | 820,290            |
| 2017        | 685,000                   |                                  | 16,098                 | 701,098            |
| Total       | <u>\$2,190,000</u>        | <u>\$175,537</u>                 | <u>\$1,672,368</u>     | <u>\$4,037,905</u> |

- C.** During fiscal year 2006, the District issued \$1,238,000 in Energy Conservation Facility Bonds, Qualified Zone Academy Bonds (QZAB). The QZAB Series 2005 bonds mature September 23, 2015. The District is required to make mandatory sinking fund deposits (consisting of cash and/or U.S. Treasury obligations) on September 23, in the following years and in the following amounts (in each case equal to the value of any cash deposits, plus the stated principal value at maturity of any U.S. Treasury obligations plus any interest to be paid thereon through and including the maturity date) except the final principal payment date shall be the maturity date:

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 7 – LONG-TERM OBLIGATIONS – (Continued)**

| September<br>23 of the year | Amounts<br>Due | Amounts<br>Deposited |
|-----------------------------|----------------|----------------------|
| 2006                        | \$ 110,423     | \$ 110,423           |
| 2007                        | 110,423        | 110,423              |
| 2008                        | 110,423        | 110,423              |
| 2009                        | 110,423        | 110,423              |
| 2010                        | 110,423        | 110,423              |
| 2011                        | 110,423        | 110,423              |
| 2012                        | 110,423        |                      |
| 2013                        | 110,423        |                      |
| 2014                        | 110,423        |                      |
|                             | \$ 993,807     | \$ 662,538           |

The QZAB Series 2005 bonds required stated annual interest payments. During fiscal year 2012, the District made \$110,423 in sinking fund deposits. The resources, being accumulated through the sinking fund, are reported in the bond retirement fund. The required sinking fund deposits are expected to be sufficient to retire the QZAB Series 2005 bonds upon maturity.

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012 are a voted debt margin of \$13,344,706 and an unvoted debt margin of \$174,547.

**NOTE 8 – RISK MANAGEMENT**

**A. Ohio School Plan**

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 8 – RISK MANAGEMENT – (Continued)**

The Plan issues its own policies and reinsures the Plan with reinsurances carriers. Only of the Plan’s paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan’s audited financial statements on the website for more details.) The individual members are responsible for their self–retention (deductible) amounts, which vary from member to member.

The Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

|                 | 2011         | 2010         |
|-----------------|--------------|--------------|
| Assets          | \$ 4,280,876 | \$ 3,859,753 |
| Liabilities     | 1,812,420    | 1,732,921    |
| Members' equity | \$ 2,468,456 | \$ 2,126,832 |

You can read the complete audited financial statements for The Ohio School Plan at the Plan’s website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org).

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.

**B. Employee Group Life, Medical, Dental, and Vision Insurance**

The District provides life insurance and accidental death and dismemberment insurance to all regular contracted teachers through National Insurance Services in the amount of \$25,000. All eligible part-time contracted employees are covered in the amount of \$12,500.

The District provides life insurance and accidental death and dismemberment insurance to classified employees who work 6 hours per day in the amount of \$20,000; for employees who work 4 to 6 hours per day in the amount of \$10,000; and for employees working less than 4 hours per day \$5,000.

The District provides life insurance to administrators in the amount of \$50,000.

The District provides life insurance and accidental death and dismemberment insurance to secretaries and fiscal services personnel who work 6 hours per day or more \$30,000; 4 to 6 hours per day \$15,000; and less than 4 hours per day \$7,500.

The District has elected to provide a comprehensive medical benefits package to the employees through a fully insured program. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible. Medical Mutual Insurance Company administers the medical plan. The total monthly premium for medical is \$612.30 for single coverage and \$1,337.27 for family coverage. The District’s portion of the monthly premium is \$551.07 for single coverage and \$1,203.54 for family coverage, which is paid out of the same fund that pays the salary for the employees. The employee monthly portion of the premium is \$61.23 for single coverage and \$133.73 for family coverage, which is withheld from their biweekly payroll.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 8 – RISK MANAGEMENT – (Continued)**

Effective January 1, 2006, the Board had another medical plan referred to as the “Core Plan” available for employees to choose for a slightly lower premium. The Core Plan allows for a \$200 single and \$400 family deductible in network and a \$400 single and \$800 family out of network deductible. This medical plan was also carried by Medical Mutual Insurance Company. The total monthly premiums for medical are \$556.83 for single coverage and \$1,216.08 for family coverage. The District’s portion of the monthly premium is \$501.14 for single coverage and \$1,094.47 for family coverage, which is paid for out of the same fund that pays the salary of the employee. The employee portion for the Core Plan is \$55.69 for single coverage and \$121.21 for family coverage, which is withheld from their biweekly payroll.

The District provides dental coverage for its employees on a fully insured basis through Core Source. The total monthly premium is \$71.11 for single and \$71.11 for family coverage. This premium includes the employee portion, which is paid by the District. Teachers pay \$8.00 and principals pay \$7.11 per month of the \$71.11.

The above employee portions of premiums for medical and dental insurance are for full-time employees. Part-time employees may pay pro-rated premiums for coverage.

**C. Workers’ Compensation**

The District participates independently with Sheakley Unicom, Inc. for workers’ compensation coverage.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System of Ohio (“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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://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 at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$359,288, \$383,499 and \$381,948, respectively; 62 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 9 - DEFINED BENEFIT PENSION PLANS – (Continued)**

**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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,123,676, \$1,323,663 and \$1,263,870, respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$13,980 made by the District and \$9,986 made by the plan members.



**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 9 - DEFINED BENEFIT PENSION PLANS – (Continued)**

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 - POST EMPLOYMENT BENEFITS**

**State Teachers Retirement System**

Plan Description - The District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$86,437, \$101,820, and \$97,221, respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**School Employees Retirement System**

Plan Description – The District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated 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, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 10 - POST EMPLOYMENT BENEFITS – (Continued)**

The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each 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 2012, .60 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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 contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$17,041, \$13,804, and \$52,676, respectively; 62 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$21,302, \$22,806, and \$22,714, respectively; 62 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 11 - 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 11 – CONTINGENCIES – (Continued)**

**B. Litigation**

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the basic financial statements.

**NOTE 12 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a modified cash basis. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011. During the fiscal year ended June 30, 2012, the reserve activity was as follows:

|   | <u>Capital<br/>Acquisition</u> |
|---|--------------------------------|
| Set Aside Reserve Balance June 30, 2011         |                                |
| Current Year Set Aside Requirement              | \$ 317,373                     |
| Current Year Qualifying Expenditures            | (2,541)                        |
| Excess Qualifying Expenditures from Prior Years | <u>(314,832)</u>               |
| Total   | <u><u>\$</u></u>               |

The District had qualifying disbursements and excess qualified expenditures from prior years during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside. This extra amount may not be carried forward. The District had prior year capital disbursements from bond proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

**NOTE 13 – 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 place on fund balance for the major governmental funds and all other governmental funds are presented below:

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 13 – FUND BALANCE – (Continued)**

|   | <u>General<br/>Fund</u>   | <u>Bond<br/>Retirement<br/>Fund</u> | <u>Permanent<br/>Improvement<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Government<br/>Funds</u> |
|---|---------------------------|-------------------------------------|---|---|---------------------------------------|
| <b>Restricted for:</b>                              |                           |                                     |   |   |                                       |
| Permanent Improvements                              |                           |                                     | \$1,084,574                               | \$33,508                                | \$1,118,082                           |
| Debt Retirement                                     |                           | \$883,531                           |   |   | 883,531                               |
| Bus Purchases                                       | \$14,198                  |                                     |   |   | 14,198                                |
| Food Service Operations                             |                           |                                     |   | 50,007                                  | 50,007                                |
| Extracurricular Activities                          |                           |                                     |   | 22,267                                  | 22,267                                |
| Learning Opportunities                              |                           |                                     |   | 27,623                                  | 27,623                                |
| Non-Public Schools                                  |                           |                                     |   | 42,597                                  | 42,597                                |
| Professional Development                            |                           |                                     |   | 1,175                                   | 1,175                                 |
| Reading Proficiency                                 |                           |                                     |   | 702                                     | 702                                   |
| Special Instruction                                 |                           |                                     |   | 290,741                                 | 290,741                               |
| Improving Teacher Quality                           |                           |                                     |   | 23,895                                  | 23,895                                |
| Technology Improvements                             |                           |                                     |   | 41,745                                  | 41,745                                |
| Other Purposes                                      |                           |                                     |   | 954                                     | 954                                   |
| <b>Total Restricted for:</b>                        | <u>14,198</u>             | <u>883,531</u>                      | <u>1,084,574</u>                          | <u>535,214</u>                          | <u>2,517,517</u>                      |
| <b>Assigned for:</b>                                |                           |                                     |   |   |                                       |
| Support Services                                    | 263,724                   |                                     |   |   | 263,724                               |
| Instruction   | 483,194                   |                                     |   |   | 483,194                               |
| Capital Outlay<br>Subsequent Year<br>Appropriations | 6,168                     |                                     |   |   | 6,168                                 |
|   | <u>1,761,830</u>          |                                     |   |   | <u>1,761,830</u>                      |
| <b>Total Assigned for:</b>                          | <u>2,514,916</u>          |                                     |   |   | <u>2,514,916</u>                      |
| Unassigned  | <u>834,133</u>            |                                     |   |   | <u>834,133</u>                        |
| <b>Total Fund Balances</b>                          | <u><u>\$3,363,247</u></u> | <u><u>\$883,531</u></u>             | <u><u>\$1,084,574</u></u>                 | <u><u>\$535,214</u></u>                 | <u><u>\$5,866,566</u></u>             |

**NOTE 14 – BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented 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 modified cash basis are that:

(a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,

(b) Some funds are included in the general fund (modified cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the modified cash basis to the budget basis for the general fund is as follows:

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 14 – BUDGETARY BASIS OF ACCOUNTING – (Continued)**

Net Change in Fund Balance

|                             | General Fund         |
|-----------------------------|----------------------|
| Cash basis                  | (\$2,046,348)        |
| Funds budgeted elsewhere**  | (6,618)              |
| Adjustment for encumbrances | (736,945)            |
| Budget basis                | <u>(\$2,789,911)</u> |

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a modified cash basis. This includes the public school support fund.

**NOTE 15 – COMPLIANCE**

Ohio Administrative Code § 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| FEDERAL GRANTOR<br><i>Pass Through Grantor</i><br>Program Title        | Federal<br>CFDA<br>Number | Receipts            | Disbursements       |
|--|---------------------------|---------------------|---------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                  |                           |                     |                     |
| <i>Passed Through Ohio Department of Education</i>                     |                           |                     |                     |
| Child and Adult Care Food Program                                      | 10.558                    | \$ 19,730           | \$ 19,730           |
| <u>Nutrition Cluster:</u>  |                           |                     |                     |
| National School Lunch Program  |                           |                     |                     |
| Non-Cash Assistance  | 10.555                    | 56,884              | 56,884              |
| Cash Assistance  | 10.555                    | 540,024             | 540,024             |
| Total National School Lunch Program                                    |                           | 596,908             | 596,908             |
| Summer Food Service Program for Children                               | 10.559                    | 11,503              | 11,503              |
| School Breakfast Program   | 10.553                    | 192,909             | 192,909             |
| Total Nutrition Cluster  |                           | 801,320             | 801,320             |
| Total U.S. Department of Agriculture                                   |                           | <b>821,050</b>      | <b>821,050</b>      |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                    |                           |                     |                     |
| <i>Passed Through Ohio Department of Education</i>                     |                           |                     |                     |
| <u>Title I Cluster:</u>  |                           |                     |                     |
| Title I Grants to Local Educational Agencies                           | 84.010                    | 1,065,134           | 958,383             |
| ARRA - Title I Grants to Local Educational Agencies                    | 84.389                    | 56,785              | 13,886              |
| Total Title I Cluster  |                           | 1,121,919           | 972,269             |
| <u>Special Education Cluster:</u>                                      |                           |                     |                     |
| Special Education - Grants to States                                   | 84.027                    | 629,484             | 678,099             |
| ARRA - Special Education - Grants to States                            | 84.391                    |                     | 84,210              |
| Special Education - Preschool Grants                                   | 84.173                    | 35,778              | 25,320              |
| ARRA - Special Education - Preschool Grants                            | 84.392                    |                     |                     |
| Total Special Education Cluster  |                           | 665,262             | 787,629             |
| Safe and Drug Free Schools and Communities - State Grants              | 84.186                    |                     | 1,292               |
| Education for Homeless Children and Youth                              | 84.196                    | 39,381              | 38,314              |
| Twenty-First Century Community Learning Centers                        | 84.287                    | 267,811             | 212,344             |
| State Grants for Innovative Programs                                   | 84.298                    |                     | 119                 |
| Education Technology State Grants Cluster:                             |                           |                     |                     |
| Education Technology State Grants                                      | 84.318                    | 5,544               | 6,351               |
| ARRA - Education Technology State Grants                               | 84.386                    | 68,094              | 3,776               |
| Total Education Technology State Grants Cluster                        |                           | 73,638              | 10,127              |
| English Language Acquisition Grants                                    | 84.365                    | 6,000               | 6,686               |
| Improving Teacher Quality State Grants                                 | 84.367                    | 176,542             | 149,347             |
| School Improvement   | 84.377                    |                     | 22,363              |
| Rural and Low Income School Program                                    | 84.358                    | 35,845              | 35,845              |
| Education Jobs   | 84.410                    | 458,531             | 458,531             |
| Adult Education - State Grant Program                                  | 84.002                    | 78,094              | 114,292             |
| ARRA - Race to the Top - Federal Stimulus                              | 84.395                    | 700                 | 700                 |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants | 84.394                    |                     | 527                 |
| Total U.S. Department of Education                                     |                           | <b>2,923,723</b>    | <b>2,810,385</b>    |
| <b>Total Federal Awards Receipts and Expenditures</b>                  |                           | <b>\$ 3,744,773</b> | <b>\$ 3,631,435</b> |

*The accompanying notes to the schedule are an integral part of this schedule*

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports Fostoria City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.





# Dave Yost • Auditor of State

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

Fostoria City School District  
Seneca County  
500 Parkway Drive  
Fostoria, Ohio 44830-1513

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fostoria City School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2013, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246  
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

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We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 20, 2013.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

March 20, 2013



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Fostoria City School District  
Seneca County  
500 Parkway Drive  
Fostoria, Ohio 44830-1513

To the Board of Education:

### Compliance

We have audited the compliance of Fostoria City School District, Seneca County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, Fostoria City School District, Seneca County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 20, 2013.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 20, 2013

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                  | Yes  |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                       | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510(a)?</b>   | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Title I Cluster – CFDA # 84.010<br>Title I Grants to Local Educational Agencies and 84.389 ARRA – Title I Grants to Local Educational Agencies<br><br>Nutrition Cluster – CFDA # 10.553, School Breakfast Program, 10.555 National School Lunch Program, and 10.559 Summer Food Service Program for Children<br><br>Education Jobs – CFDA # 84.410 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others   |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | No   |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2012-001**

**Noncompliance**

**Ohio Revised Code, § 117.38**, provides each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Public Offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year.

**Ohio Administrative Code § 117-2-03 (B)**, which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles in the United States of America.

The District prepares its financial statements in accordance with the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District also did not file their report until February 25, 2013, which is more than 150 days after fiscal year end.

We recommend the District prepare its statements in accordance with generally accepted accounting principles in the United States of America, and file them on time.

**FINDING NUMBER 2012-002**

**Material Weakness**

**Financial Reporting**

The District's management is responsible for the fair presentation of the financial statements. Material errors were noted in the financial statements which required audit adjustments as described below.

- Property Tax and Interest receipts in the Bond Retirement Fund were understated by \$117,854, and \$16,169, respectively. In addition, interest payments were also understated by \$134,023.
- Intergovernmental receipts in Other Governmental Funds were understated by \$78,080 and other disbursements were understated by \$78,080.
- Advances in and out of the General and Other Governmental Funds were both overstated by \$155,303.

The accompanying financial statements have been adjusted to correct these errors.

To ensure the District's financial statements and notes to the statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the annual report by the audit committee to identify and correct errors and omissions.

**Officials' Response:**

We did not receive a response from officials to the findings reported above.

|   |
|---|
| <b>3. FINDINGS AND FOR FEDERAL AWARDS</b> |
|---|

None

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**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2011-001       | Ohio Administrative Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles | No               | Not corrected. Repeated in this report as finding 2012-001   |
| 2011-002       | 34CFR 80.20 (b)(7) for failure to disburse SFSF grant funding timely  | Yes              |  |

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# Dave Yost • Auditor of State

**FOSTORIA CITY SCHOOL DISTRICT**

**SENECA 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  
APRIL 4, 2013**