



Dave Yost • Auditor of State



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY  
JUNE 30, 2016 AND 2015**

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**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY  
JUNE 30, 2016 AND 2015**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Fort Recovery Local School District  
Mercer County  
400 E. Butler Street P.O. Box 604  
Fort Recovery, Ohio 45846

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Recovery Local School District, Mercer County, Ohio (the School District), as of and for the years ended June 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Recovery Local School District, Mercer County, Ohio, as of June 30, 2016 and 2015 and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 4, 2017

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2016**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 6,076,576	\$ 410,640	\$ 6,487,216
<i>Total Assets</i>	<u>\$ 6,076,576</u>	<u>\$ 410,640</u>	<u>\$ 6,487,216</u>
<b>Net Position</b>			
Restricted for:			
Debt Service	\$ 548,368	-	548,368
Other Purposes	156,283	-	156,283
Unrestricted	5,371,925	\$ 410,640	5,782,565
<i>Total Net Position</i>	<u>\$ 6,076,576</u>	<u>\$ 410,640</u>	<u>\$ 6,487,216</u>

See accompanying notes to the financial statements

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES- CASH BASIS  
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>		
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>						
Instruction						
Regular	\$ 4,784,650	\$ 420,955	\$ 44,623	\$ (4,319,072)	\$ 0	\$ (4,319,072)
Special	1,583,914	-	749,469	(834,445)	-	(834,445)
Vocational	256,172	2,334	82,894	(170,944)	-	(170,944)
Support Services						
Pupil	264,867	98,910	-	(165,957)	-	(165,957)
Instructional Staff	215,788	-	-	(215,788)	-	(215,788)
Board of Education	32,549	-	-	(32,549)	-	(32,549)
Administration	808,944	-	3,516	(805,428)	-	(805,428)
Fiscal	315,919	-	-	(315,919)	-	(315,919)
Business	7,831	-	-	(7,831)	-	(7,831)
Operation and Maintenance of Plant	897,475	4,090	-	(893,385)	-	(893,385)
Pupil Transportation	312,008	6,741	6,575	(298,692)	-	(298,692)
Central	1,321	-	-	(1,321)	-	(1,321)
Extracurricular Activities	401,577	186,149	10,272	(205,156)	-	(205,156)
Capital Outlay						
Facilities Acquisition and Construction	257,085	-	-	(257,085)	-	(257,085)
Debt Service	512,198	-	-	(512,198)	-	(512,198)
<i>Total Governmental Activities</i>	<u>10,652,298</u>	<u>719,179</u>	<u>897,349</u>	<u>(9,035,770)</u>	<u>-</u>	<u>(9,035,770)</u>
<b>Business-Type Activities:</b>						
Food Services	389,175	325,814	79,343	-	15,982	15,982
Preschool Program	54,754	59,215	1,113	-	5,574	5,574
<i>Total Business-Type Activities</i>	<u>443,929</u>	<u>385,029</u>	<u>80,456</u>	<u>-</u>	<u>21,556</u>	<u>21,556</u>
<b>Totals</b>	<u>\$ 11,096,227</u>	<u>\$ 1,104,208</u>	<u>\$ 977,805</u>	<u>(9,035,770)</u>	<u>21,556</u>	<u>(9,014,214)</u>
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes				2,233,600	-	2,233,600
Debt Service				484,500	-	484,500
Classroom Facilities & Maintenance				41,319	-	41,319
Income Taxes				1,886,568	-	1,886,568
Grants and Entitlements not Restricted to Specific Programs				5,445,224	-	5,445,224
Gifts and Donations not Restricted to Specific Programs				3,641	-	3,641
Interest				40,412	411	40,823
Miscellaneous				24,607	10,414	35,021
<i>Total General Receipts</i>				<u>10,159,871</u>	<u>10,825</u>	<u>10,170,696</u>
Change in Net Position				1,124,101	32,381	1,156,482
<i>Net Position Beginning of Year</i>				<u>4,952,475</u>	<u>378,259</u>	<u>5,330,734</u>
<i>Net Position End of Year</i>				<u>\$ 6,076,576</u>	<u>\$ 410,640</u>	<u>\$ 6,487,216</u>

See accompanying notes to the financial statements



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS**

**JUNE 30, 2016**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 5,056,638	\$ 1,019,938	\$ 6,076,576
<i>Total Assets</i>	<i>\$ 5,056,638</i>	<i>\$ 1,019,938</i>	<i>\$ 6,076,576</i>
<b>Fund Balances</b>			
Nonspendable	\$ 2,342	\$ 0	\$ 2,342
Restricted	-	704,651	704,651
Committed	157,609	-	157,609
Assigned	565,892	315,287	881,179
Unassigned	4,330,795	-	4,330,795
<i>Total Fund Balances</i>	<i>\$ 5,056,638</i>	<i>\$ 1,019,938</i>	<i>\$ 6,076,576</i>

See accompanying notes to the financial statements

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>			
Property Taxes	\$ 2,233,600	\$ 525,819	\$ 2,759,419
Income Taxes	1,886,568	-	1,886,568
Intergovernmental	5,878,719	428,313	6,307,032
Interest	40,412	-	40,412
Tuition and Fees	324,868	-	324,868
Rent	4,090	-	4,090
Extracurricular Activities	194,068	183,874	377,942
Gifts and Donations	22,380	16,802	39,182
Miscellaneous	35,435	1,451	36,886
<i>Total Receipts</i>	<u>10,620,140</u>	<u>1,156,259</u>	<u>11,776,399</u>
<b>Disbursements</b>			
Current:			
Instruction			
Regular	4,760,320	24,330	4,784,650
Special	1,279,814	304,100	1,583,914
Vocational	247,413	8,759	256,172
Support Services			
Pupil	264,867	-	264,867
Instructional Staff	215,788	-	215,788
Board of Education	32,549	-	32,549
Administration	805,225	3,719	808,944
Fiscal	303,524	12,395	315,919
Business	7,831	-	7,831
Operation and Maintenance of Plant	813,224	84,251	897,475
Pupil Transportation	270,724	41,284	312,008
Central	1,321	-	1,321
Extracurricular Activities	224,655	176,922	401,577
Capital Outlay			
Facilities Acquisition and Construction	-	257,085	257,085
Debt Service			
Principal Retirement	47,371	320,000	367,371
Interest	1,989	142,838	144,827
<i>Total Disbursements</i>	<u>9,276,615</u>	<u>1,375,683</u>	<u>10,652,298</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>1,343,525</u>	<u>(219,424)</u>	<u>1,124,101</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers - In	-	350,000	350,000
Advances - In	27,000	27,000	54,000
Operating Transfers - Out	(350,000)	-	(350,000)
Advances - Out	(27,000)	(27,000)	(54,000)
<i>Total Other Financing (Uses) Sources</i>	<u>(350,000)</u>	<u>350,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	993,525	130,576	1,124,101
<i>Fund Balances Beginning of Year</i>	<u>4,063,113</u>	<u>889,362</u>	<u>4,952,475</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,056,638</u>	<u>\$ 1,019,938</u>	<u>\$ 6,076,576</u>

See accompanying notes to the financial statements

FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$ 2,036,969	\$ 2,036,969	\$ 2,233,600	\$ 196,631
Income Taxes	1,998,551	1,998,551	1,886,568	(111,983)
Intergovernmental	5,267,154	5,267,154	5,878,719	611,565
Interest	12,120	12,120	40,412	28,292
Tuition and Fees	375,762	375,762	324,868	(50,894)
Rent	3,400	3,400	4,090	690
Gifts and Donations	7,783	7,783	3,641	(4,142)
Miscellaneous	10,260	10,260	7,692	(2,568)
<i>Total Receipts</i>	<u>9,711,999</u>	<u>9,711,999</u>	<u>10,379,590</u>	<u>667,591</u>
<b>Disbursements</b>				
Current:				
Instruction				
Regular	4,680,396	4,806,093	4,713,868	92,225
Special	1,387,877	1,462,877	1,332,086	130,791
Vocational	291,394	291,394	251,584	39,810
Support Services				
Pupil	174,065	175,565	169,977	5,588
Instructional Staff	248,554	244,554	231,628	12,926
Board of Education	36,883	41,883	38,519	3,364
Administration	783,183	783,183	809,188	(26,005)
Fiscal	336,324	336,324	305,973	30,351
Business	11,950	11,950	15,567	(3,617)
Operation and Maintenance of Plant	1,006,055	1,035,858	1,042,194	(6,336)
Pupil Transportation	343,420	343,420	294,353	49,067
Central	1,326	4,326	1,786	2,540
Extracurricular Activities	226,427	226,427	223,901	2,526
Debt Service				
Principal Retirement	47,371	47,371	47,371	-
Interest	2,039	2,039	1,989	50
<i>Total Disbursements</i>	<u>9,577,264</u>	<u>9,813,264</u>	<u>9,479,984</u>	<u>333,280</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>134,735</u>	<u>(101,265)</u>	<u>899,606</u>	<u>1,000,871</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Sale of Capital Assets	-	-	2,540	2,540
Advances - In	-	-	27,000	27,000
Refund of Prior Year Expenditures	7,793	7,793	21,217	13,424
Operating Transfers - Out	(250,000)	(350,000)	(350,000)	-
Advances - Out	-	-	(27,000)	(27,000)
Refund of Prior Year Receipts	(4,499)	(4,499)	(1,354)	3,145
<i>Total Other Financing Sources (Uses)</i>	<u>(246,706)</u>	<u>(346,706)</u>	<u>(327,597)</u>	<u>19,109</u>
<i>Net Change in Fund Balance</i>	<u>(111,971)</u>	<u>(447,971)</u>	<u>572,009</u>	<u>1,019,980</u>
<i>Fund Balance Beginning of Year</i>	<u>3,420,336</u>	<u>3,420,336</u>	<u>3,420,336</u>	<u>-</u>
Prior Year Encumbrances Appropriated	338,449	338,449	338,449	-
<i>Fund Balance End of Year</i>	<u>\$ 3,646,814</u>	<u>\$ 3,310,814</u>	<u>\$ 4,330,794</u>	<u>\$ 1,019,980</u>

See accompanying notes to the financial statements

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2016**

	<b>Business - Type Activity</b>		
	Food Service	All Other Enterprise	Totals
<b>Assets</b>			
Cash and Cash Equivalents	\$ 362,538	\$ 48,102	\$ 410,640
<i>Total Assets</i>	<u>\$ 362,538</u>	<u>\$ 48,102</u>	<u>\$ 410,640</u>
<b>Net Position</b>			
Unrestricted	\$ 362,538	\$ 48,102	\$ 410,640
<i>Total Net Position</i>	<u>\$ 362,538</u>	<u>\$ 48,102</u>	<u>\$ 410,640</u>

See accompanying notes to the financial statements

FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND NET POSITION - CASH BASIS

PROPRIETARY FUNDS  
FOR FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activity		Totals
	Food Service	All Other Enterprise	
<b>Operating Receipts</b>			
Charges for Services	\$ 325,814	\$ 0	\$ 325,814
Tuition and Fees	-	59,215	59,215
Other Operating Revenues	10,414	-	10,414
<i>Total Operating Receipts</i>	<u>336,228</u>	<u>59,215</u>	<u>395,443</u>
<b>Operating Disbursements</b>			
Salaries	141,712	25,291	167,003
Fringe Benefits	26,759	22,864	49,623
Purchased Services	4,225	636	4,861
Materials and Supplies	203,526	5,963	209,489
Capital Outlay	12,680	-	12,680
Other	273	-	273
<i>Total Operating Disbursements</i>	<u>389,175</u>	<u>54,754</u>	<u>443,929</u>
<i>Operating Income (Loss)</i>	<u>(52,947)</u>	<u>4,461</u>	<u>(48,486)</u>
<b>Non-Operating Receipts (Expenses)</b>			
Federal and State Subsidies	79,343	1,113	80,456
Interest	411	-	411
<i>Total Non-Operating Receipts (Expenses)</i>	<u>79,754</u>	<u>1,113</u>	<u>80,867</u>
<i>Change in Net Position</i>	26,807	5,574	32,381
<i>Net Position Beginning of Year</i>	<u>335,731</u>	<u>42,528</u>	<u>378,259</u>
<i>Net Position End of Year</i>	<u>\$ 362,538</u>	<u>\$ 48,102</u>	<u>\$ 410,640</u>

See accompanying notes to the financial statements

FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS

FIDUCIARY FUNDS  
JUNE 30, 2016

	<u>Agency</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$ 80,876</u>
<i>Total Assets</i>	<u><u>\$ 80,876</u></u>
<b>Liabilities</b>	
Due to Students	<u>\$ 80,876</u>
Total Liabilities	<u><u>\$ 80,876</u></u>

See accompanying notes to the financial statements

FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	<u>\$ 0</u>
<i>Total Additions</i>	<u>-</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>1,250</u>
<i>Change in Net Position</i>	(1,250)
<i>Net Position Beginning of Year</i>	<u>1,250</u>
<i>Net Position End of Year</i>	<u><u>\$ 0</u></u>

See accompanying notes to the financial statements

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

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**Note 1 – Description of the School District and Reporting Entity**

Fort Recovery Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in a rural community in Northwest Ohio. The School District is located in Mercer County. The School District is staffed by 39 non-certificated employees and 67 certificated full-time teaching personnel who provide services to 897 students and other community members.

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

**A. Primary Government**

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

**B. Component Units**

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in five jointly governed organizations, three insurance purchasing pools and one related organization. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative  
Mercer County Local Professional Development Committee  
West Central Ohio Special Education Regional Resource Center  
West Central Ohio Regional Professional Development Center  
Southwestern Ohio Educational Purchasing Council

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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**Note 1 - Reporting Entity** (continued)

Insurance Purchasing Pools:

Ohio Association of School Business Officials Workers' Compensation Group  
Rating Plan  
Mercer Auglaize Employee Benefit Trust  
Ohio School Insurance Plan

Related Organization:

Fort Recovery Public Library

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

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School 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 to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Proprietary Funds

The School District classifies funds financed primarily from user charges for goods or services as proprietary. The School District's proprietary funds consist of enterprise funds.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is the Food Service Fund which accounts for fees and intergovernmental revenues used to run the food service program. The School District's other enterprise funds accounts for the adult education program and preschool program.

**Fiduciary Funds**

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature. The School District only maintains agency funds which account for the Section 125 plan and those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School 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. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials and the fund financial statements for business-type activities would be presented on the accrual basis of accounting.

**D. Cash and Investments**

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

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2016, the School District invested in nonnegotiable certificates of deposits and Federated Government Obligations Money Market Fund.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 was \$40,412 which included \$9,226 assigned from other School District funds.

**E. Inventory and Prepaid Items**

On a cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

**F. Capital Assets**

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

**G. Interfund Receivables/Payables**

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

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

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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

**J. Long-Term Obligations**

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**K. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. The School District did not have any assets restricted by enabling legislation at June 30, 2016.

**L. Fund Balance**

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

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.

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.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by 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.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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

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

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

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

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another fund 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 financial statements.

**N. Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the School District, these receipts are tuition for preschool and sales for food service. Operating disbursements are necessary costs incurred to provide the good or service that are the primary activity of the fund. Receipts and disbursements that do not meet these definitions are reported as non-operating.

**O. 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 cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds, except the General Fund. The School District legal level of control for the general fund is the object level. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. 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 appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first 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.

**Note 3 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and cash basis are

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 993,525
Encumbrances	(480,280)
Perspective Differences	<u>58,764</u>
Budgetary Basis	<u><u>\$ 572,009</u></u>

**Note 4 - Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board 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.



**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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**Note 4 - Deposits and Investments** (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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);
7. Certain bankers' acceptances 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 circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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**Note 4 - Deposits and Investments** (continued)

***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$6,443,877 and the bank balance was \$6,608,684. \$3,280,029 of the School District's deposits was insured by federal depository insurance. As of June 30, 2016, \$3,328,655 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

***Investments***

Investments are reported at fair value. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2016, the School District's investment included \$124,215 in Federated Government Obligations Money Market Fund (Level 1).

*Interest Rate Risk* – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements of ongoing operations. The average maturity of the Federated Government Obligations Money Market Fund is 38 days.

*Credit Risk* – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The Federated Government Obligations Money Market Fund carries an S&P credit rating of AAAm.

*Custodial Credit Risk* - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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**Note 4 - Deposits and Investments** (continued)

*Concentration of Credit Risk* - The School District places no limits on the amount the School District may invest in any one issuer. The School District's investment percentage for the Federated Government Obligations Money Market Fund is 100%.

**Note 5 - Property Taxes**

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

**Note 5 - Property Taxes** (Continued)

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

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$114,687,570	97.06%	\$116,421,960	97.06%
Public Utility Personal	3,469,590	2.94%	3,521,130	2.94%
Total	<u>\$118,157,160</u>	<u>100.00%</u>	<u>\$119,943,090</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$33.10		\$32.50	

**Note 6 - Income Taxes**

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. An original one percent tax was effective on January 1, 1991, with an additional .5 percent tax passed in May 2005. This is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Note 7 - Risk Management**

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016 the School District's property, fleet coverage, and liability insurance was provided by Selective Insurance Company.

Coverage provided is as follows:

Building and Business Personal	
Property Coverage (\$5,000 deductible)	\$39,680,675
Automobile Liability (\$500 deductible)	1,000,000
Uninsured/Underinsured Motorists (\$500 deductible)	1,000,000
General Liability:	
Each Occurrence	1,000,000
Medical Expense – any one person/each accident	5,000
General Aggregate Limit	3,000,000
Employee Benefits Liability:	
Each Offense (\$1,000 deductible)	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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**Note 7 - Risk Management** (continued)

Disease – each employee	1,000,000
Disease Policy Limit	1,000,000
Aggregate	3,000,000
Educational Legal Liability:	
Errors and Omissions Injury – each wrongful act (\$10,000 deductible)	1,000,000
Errors and Omissions Injury Aggregate	1,000,000
Sexual Misconduct and Molestation Liability:	
Each Offense (\$2,500 deductible)	1,000,000
Aggregate	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

**B. Workers' Compensation**

For fiscal year 2016, the School District participated in the Ohio Association Of School Business Official's Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Comp Management, Inc. provides the administrative, cost control and actuarial services to the GRP.

**C. Health Care Benefits**

The School District participates in the Mercer Auglaize Employee Trust (Trust), a public entity shared risk pool (Note 14) consisting of eleven local districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical, dental, and vision insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**Note 8 - Defined Benefit Pension Plans**

***Net Pension Liability***

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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**Note 8 - Defined Benefit Pension Plans** (continued)

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

**Note 8 - Defined Benefit Pension Plans** (continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. For fiscal year 2016, no amount was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$160,699 for fiscal year 2016.

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

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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**Note 8 - Defined Benefit Pension Plans** (continued)

With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$524,321 for fiscal year 2016.



**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

**Note 8 - Defined Benefit Pension Plans** (continued)

*Net Pension Liability*

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$2,123,495	\$10,314,471	\$12,437,966
Proportion of the Net Pension Liability	0.372145%	0.3732114%	

*Actuarial Assumptions - SERS*

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

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

**Note 8 - Defined Benefit Pension Plans** (continued)

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

**Changes Between Measurement Date and Report Date** In April 2016, the SERS Board adopted a certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016  
(Continued)

**Note 8 - Defined Benefit Pension Plans** (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,944,525	\$2,123,495	\$1,432,121

**Actuarial Assumptions - STRS**

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

The 10-year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

**Note 8 - Defined Benefit Pension Plans** (continued)

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

Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$14,327,579	\$10,314,471	\$6,920,791

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2016, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 9 - Postemployment Benefits**

**A. School Employees Retirement System**

**Plan Description** – The School 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.

**Health Care Plan** – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program 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.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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**Note 9 - Postemployment Benefits** (continued)

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2016, the health care allocation is 0 percent. 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 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge.

For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$18,959, \$25,506, and \$18,371, respectively; 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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 or by calling toll free (800) 878-5853. It is also posted on the SERS' at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**B. State Teachers Retirement System of Ohio**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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 report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (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 2016, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$39,265, respectively; 100 percent for fiscal years 2016, 2015, and 2014.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

**Note 10 – Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation leave may be carried over from one year to the next and can be accumulated up to a 3 year maximum. Unused vacation time is paid to classified employees and administrators upon retirement. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, employees who meet the State requirement of 10 years of service will receive payment for twenty-five percent of accrued, but unused sick leave credit to a maximum of 150 days for all employees, plus an addition two and one-half days for each year over twenty years of service in the Fort Recovery School System (60 day maximum).

**B. Insurance Benefits**

The School District provides life insurance to most employees through AIG American General. Vision insurance is provided through the Vision Service Plan. Medical/surgical benefits and dental benefits are provided through CoreSource through the Mercer Auglaize Employee Benefit Trust (See Note 14).

**Note 11 – Debt**

The changes in the School District’s long-term obligations during fiscal year 2016 were as follows:

	Amount Outstanding 6/30/2015	Additions	Deletions	Amount Outstanding 6/30/2016	Amount Due in One Year
<b>Governmental Activities</b>					
2010 Classroom Facilities Refunding Serial Bonds 2% - 4%	\$ 1,260,000	\$ -	\$ (205,000)	\$ 1,055,000	\$ 215,000
2011 School Energy Conservation Bonds - 2.85%	94,067	-	(47,371)	46,696	46,696
2012 School Improvement Bonds - 1.5% - 4%	3,020,000	-	(115,000)	2,905,000	120,000
Total Governmental Activities Long-Term Liabilities	<u>\$ 4,374,067</u>	<u>\$ -</u>	<u>\$ (367,371)</u>	<u>\$ 4,006,696</u>	<u>\$ 381,696</u>

**2010 Classroom Facilities Refunding Bonds** – On June 3, 2010, the School District issued \$1,665,000 in general obligation bonds with interest rates between 2% to 4% to advance refund \$1,670,000 of the 1998 School Improvement General Obligation Bonds. The bonds are being retired from the Bond Retirement debt service fund.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

**Note 11 – Debt** (continued)

**2011 School Energy Conservation Bonds** – On October 25, 2011, the School District issued \$236,180 in School Energy Conservation Improvement Bonds carrying a 2.85% interest rate. The bonds will mature December 1, 2016, and will be paid from savings resulting from the conservation measures.

**2012 School Improvement Bonds** – On March 21, 2012, the School District issued \$3,385,000 in school improvement bonds that were used to pay off a \$3,400,000 school improvement bond anticipation note. The bonds interest rate varies between 1.5% and 4%. The final payments on the bonds will be December 1, 2034. The bonds will be paid out of the Bond Retirement debt service fund from property taxes receipts from a bond levy approved by the voters on November 8, 2011.

The School District's overall legal debt margin was \$7,335,741 the un-voted debt margin was \$119,934 and the energy conservation debt margin was \$1,032,712 at June 30, 2016.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Energy Conservation Bonds		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	\$335,000	\$132,675	\$46,696	\$676	\$381,696	\$133,351	\$515,047
2018	345,000	121,925	-	-	345,000	121,925	466,925
2019	355,000	110,525	-	-	355,000	110,525	465,525
2020	360,000	98,725	-	-	360,000	98,725	458,725
2021	280,000	88,312	-	-	280,000	88,312	368,312
2022-2026	690,000	371,475	-	-	690,000	371,475	1,061,475
2027-2031	815,000	240,100	-	-	815,000	240,100	1,055,100
2032-2035	780,000	63,800	-	-	780,000	63,800	843,800
<b>Grand Total</b>	<b>\$3,960,000</b>	<b>\$1,227,537</b>	<b>\$46,696</b>	<b>\$676</b>	<b>\$4,006,696</b>	<b>\$1,228,213</b>	<b>\$5,234,909</b>

In fiscal year 1997, the School District was awarded \$16,145,140 for construction and improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds remaining from the issuance of bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

**Note 12 – Fund Balance**

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

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

**Note 12 – Fund Balance** (Continued)

Fund Balance	General	Other Governmental Funds	Total Governmental Funds
Nonspendable	\$ 2,342	\$ -	\$ 2,342
Restricted:			
Classroom Maintenance	-	67,228	67,228
Athletics	-	77,448	77,448
Local Grants	-	4,203	4,203
Debt Service	-	548,368	548,368
Capital Improvements	-	-	-
State and Federal Grants	-	7,404	7,404
Total Restricted	-	704,651	704,651
Committed to:			
Termination Benefits	157,609	-	157,609
Assigned for:			
Unpaid Obligations	480,280	-	480,280
Public School Support	85,612	-	85,612
Capital Improvements	-	315,287	315,287
Total Assigned	565,892	315,287	881,179
Unassigned	4,330,795	-	4,330,795
Total Fund Balance	\$ 5,056,638	\$ 1,019,938	\$ 6,076,576

**Note 13 – Set-Aside Requirements**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2016.

Set-aside Reserve Balance as of June 30, 2015	<u>\$0</u>
Current Year Set-aside Requirement	160,270
Qualifying Disbursements	<u>(160,270)</u>
Total	<u><u>\$0</u></u>



**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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**Note 14 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization**

**A. Jointly Governed Organizations**

*Northwest Ohio Area Computer Services Cooperative* - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert, Wood and Wyandot counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these school supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of two Assembly members from Hancock, Paulding, Allen, Mercer, Putnam and Van Wert Counties and two at large members. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2016, the School District contributed \$72,357 to NOACSC. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 645 South Main Street, Lima, OH 45804.

*Mercer County Local Professional Development Committee* - The School District is a participant in the Mercer County Local Professional Development Committee (Committee), which is a regional council of governments established to provide professional education license renewal standards and procedures. The Committee is governed by an eleven member board made up of six teachers, two principals, once superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$822 for professional development during the fiscal year. Financial information can be obtained from Mary Brandon, Treasurer of the Mercer County Educational Service Center at 441 East Market Street, Celina, Ohio 45822.

*West Central Ohio Special Education Regional Resource Center* - The West Central Ohio Special Education Regional Resource Center (SERRC) 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 SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$0 during fiscal year 2016. Financial information can be obtained by contacting Keith Thomas, Treasurer, at the Midwest Regional Educational Service Center, 121 South Opera Street, Bellefontaine, OH 43311.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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**Note 14 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization**

(continued)

*West Central Ohio Regional Professional Development Center* (Center) – The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$1,023 to the Center during the fiscal year. Financial information can be obtained by contacting Greg Spiess, Treasurer, at the Hancock County Education Service Center, 7746 County Road 140, Findlay, Ohio 45840.

*Southwestern Ohio Educational Purchasing Council* - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 153 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2016, the School District paid \$34,765 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**B. Insurance Purchasing Pools**

*Ohio Association of School Business Officials Workers' Compensation Group Rating Plan* - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool.

*Mercer Auglaize Employee Benefit Trust* – The Mercer Auglaize Employee Benefit Trust (Trust) is a insurance pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 50(C)(9) of the Internal Revenue Code and provides medical, dental and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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**Note 14 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization**

(continued)

Each participant decides which plan offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Steve Dandurand, Corporate One Benefits, 1650 N. County Line Street, Fostoria, Ohio 44830.

*Ohio School Insurance Plan (Plan)* – The School District participates in the Ohio School Insurance 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 board composed of officials from various member entities. The Hylant Administrative Services, LLC is the Plan’s administrator and is responsible for processing claims. Financial information can be obtained from Ohio School Plan, c/o Hyland Administrative Services, LLC 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43606-2083.

**C. Related Organization**

*Fort Recovery Public Library* – The Fort Recovery Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. The School District did not make any financial contributions to the Fort Recovery Public Library during the fiscal year. Financial information can be obtained from the Fort Recovery Public Library, Julie Wuebker, Clerk/Treasurer, at 113 North Wayne Street, Fort Recovery, Ohio 45846.

**Note 15 - Interfund Balances**

During fiscal year 2016, the School District advanced \$10,000 and \$7,000, to the Title I and Improving Teacher Quality special revenue funds from the General Fund. These advances were necessary due to the timing of the receipt of grants and were repaid during fiscal year 2016.

During fiscal year 2015, the School District advanced \$10,000 to the Preschool Grant special revenue fund which was repaid in fiscal year 2016.

During fiscal year 2016, the School District advanced \$10,000 to the Preschool Grant special revenue fund. This advance was necessary due to the timing of the receipt of grants and will be repaid in fiscal year 2017.

During fiscal year 2016, the School District transferred \$350,000 from the General Fund to the Permanent Improvement capital projects fund. The transfer was to provide for capital acquisitions.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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**Note 16 – Contractual Commitments**

As of June 30, 2016, the School District had the following outstanding contractual commitments:

Vendor	Purchase Order Amount	Disbursed	Remaining Amount
T&D Interiors, Inc	\$ 34,675	\$ -	\$ 34,675
Securcom	45,700	-	45,700
School Tech Supply	24,180	-	24,180
McGraw Hill	49,818	-	49,818
Brian Brothers	66,952	-	66,952

**Note 17 – Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School 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 position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**Note 18 – Contingent Liabilities**

***A. Grants***

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

***B. Litigation***

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

***C. Foundation Funding***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional School Districts must comply with minimum hours of instructions, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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**Note 19 – Change in Accounting Principles**

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 72, “Fair Value Measurement and Application.” This statement addresses accounting and financial reporting issues related to the fair value of investments. This statement had no effect on net position or fund balances. Additional disclosures required by the statement can be found in the notes to the financial statements.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” This establishes requirements for defined benefit pension systems that are not within the scope of GASB Statement 68, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of GASB Statements 67 and 68. This statement had no effect on net position or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for state and Local Governments.” This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement had no effect on net position or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board Statement No. 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.” The objective of this statement is to address a practice issue regarding the scope and applicability of Statement 68. This statement had no effect on net position or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board and Statement No. 79, “Certain External Investment Pools and Pool Participants.” This statement addresses accounting and financial reporting for certain external investment pools and pool participants. This statement had no effect on net position or fund balances.

**Note 20 – Subsequent Events**

The School District participates in the Tri-Star Career Compact with other school districts making up a qualifying partnership. The purpose of the Compact is to establish and maintain a career technical education program in accordance with standards adopted by the State Board of Education. On January 19, 2017, Tri-Star issued \$16,999,987 in classroom facilities bonds to acquire classroom facilities. The bonds are a general obligation of the qualifying partnership (School Districts) with an interest rate from 2 percent to 4.2 percent. The bonds mature in fiscal year 2032 and will be repaid from a property tax levied by the qualifying partnership. If the proceeds of the tax collection are less than anticipated in any year, the school district making up the qualifying partnership are obligated to make up the amount of any shortfall.

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**Fort Recovery Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)

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The discussion and analysis of Fort Recovery Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2015 are as follows:

- For governmental activities, net position increased \$403,030, which represents a 9 percent increase from 2014. Net assets of business-type activities increased \$33,113 or 10 percent from 2014.
- General receipts accounted for \$9,475,780 in receipts or 84 percent of all governmental receipts. Program specific receipts in the form of charges for services and operating grants and contributions accounted for \$1,831,749 or 16 percent of total governmental receipts of \$11,307,529.
- The General Fund, which is a major fund, had \$10,193,027 in receipts and \$9,103,863 in disbursements. The General Fund's fund balance increased \$731,164 from 2014.
- Net assets for business-type activities increased \$33,113. While the Food Service fund had a operating loss of \$64,325, federal and state subsidies of \$82,809 resulted in an increase of net position of \$18,558 for the Food Service fund.
- During fiscal year 2015, the School District implemented GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. While the School District reports on a cash basis, the School District has included information about the net pension liability in its notes to the financial statements in accordance with the Auditor of State's requirements.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Fort Recovery Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Fort Recovery Local School District, the General Fund is by far the most significant fund.

**Fort Recovery Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)  
(Continued)

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The notes to the financial statements are an integral part of the district-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the School District as a Whole**

*Statement of Net Positions and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question.

The statement of net position presents the cash balances and investments of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental and business-type 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 a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each function draws from the School District's general receipts.

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

In the statement of net position and the statement of activities, the School District reports governmental and business-type activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Business-type activities are provided on a charge for goods or services basis to recover all of the disbursements of the good or services provided. The School District's business-type activities include food service operations and the preschool program.



**Fort Recovery Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)  
(Continued)

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 49. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental fund is the General Fund.

Proprietary Funds – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities and Net Position. The School District has three enterprise funds, the Food Service Fund, Adult Education and the Preschool Fund. The Adult Education Fund had no activity during fiscal year 2015.

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to fiscal year 2014 on a cash basis:

**Fort Recovery Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)  
(Continued)

(Table 1)  
**Net Position**

	Governmental Activities		Business-Type Activities	
	2014	2015	2014	2015
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,549,445	\$4,952,475	\$345,146	\$378,259
<b>Net Position</b>				
Restricted for:				
Capital Projects	\$628,104	\$0	\$0	\$0
Debt Service	409,610	475,986	0	0
Other Purposes	73,335	150,650	0	0
Unrestricted	3,438,396	4,325,839	345,146	378,259
Total Net Position	\$4,549,445	\$4,952,475	\$345,146	\$378,259

As mentioned previously, the net position of governmental activities increased \$403,030 or 9 percent from fiscal year 2014. Final expenditures were made on the high school building project, which contributed to the decrease in net position restricted for capital projects.

The School District transferred \$358,000 from its General Fund to its Permanent Improvement capital projects fund during fiscal year 2015. Net assets for debt service increased as property taxes received for debt service has exceeded the required payments. Unrestricted net assets increased in the General Fund during fiscal year 2015 due to increased income tax and state foundation revenue.

**Fort Recovery Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)  
(Continued)

Table 2 reflects the changes in net position for fiscal year 2015 compared to fiscal year 2014.

(Table 2)  
**Changes in Net Position**

	Governmental Activities 2014	Governmental Activities 2015	Business-Type Activities 2014	Business-Type Activities 2015
<b>Receipts:</b>				
Program Receipts:				
Charges for Services	\$638,191	\$724,954	\$366,193	\$382,197
Operating Grants and Contributions	519,953	1,106,795	92,407	84,553
<b>Total Program Receipts</b>	<b>1,158,144</b>	<b>1,831,749</b>	<b>458,600</b>	<b>466,750</b>
General Receipts:				
Property and Income Taxes	4,326,338	4,562,012	0	0
Grants and Entitlements Not Restricted to Specific Programs	5,222,313	4,843,259	0	0
All Other	79,642	70,509	1,713	3,672
<b>Total General Receipts</b>	<b>9,628,293</b>	<b>9,475,780</b>	<b>1,713</b>	<b>3,672</b>
<b>Total Receipts</b>	<b>10,786,437</b>	<b>11,307,529</b>	<b>460,313</b>	<b>470,422</b>
<b>Disbursements:</b>				
Instruction	6,411,441	6,533,294	0	0
Support Services	2,775,267	2,874,857	0	0
Extracurricular Activities	365,260	341,651	0	0
Capital Outlay	1,444,623	636,044	0	0
Debt Service	506,357	518,653	0	0
Food Services	0	0	363,304	384,759
Preschool Program	0	0	41,289	52,550
<b>Total Disbursements</b>	<b>11,502,948</b>	<b>10,904,499</b>	<b>404,593</b>	<b>437,309</b>
Advances	15,000	0	(15,000)	0
<b>Increase (Decreases) in Net Position</b>	<b>(701,511)</b>	<b>403,030</b>	<b>40,720</b>	<b>33,113</b>
Net Position, Beginning of Year	5,250,956	4,549,445	304,426	345,146
<b>Net Position, End of Year</b>	<b>\$4,549,445</b>	<b>\$4,952,475</b>	<b>\$345,146</b>	<b>\$378,259</b>

**Governmental Activities**

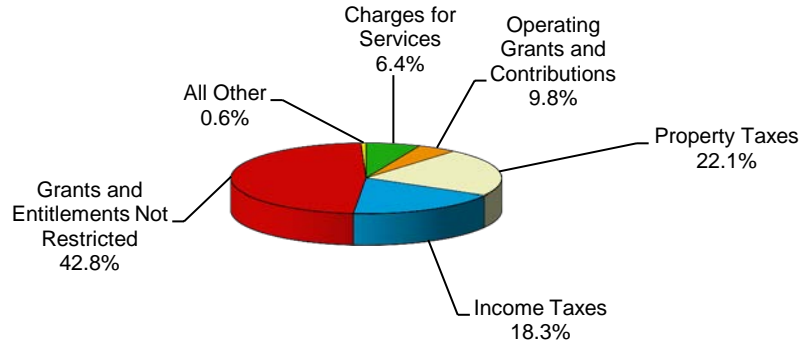
Several sources fund the School District's governmental activities with the School Foundation being the largest contributor. Property and income taxes generated \$4.6 million.

On November 8, 2011, the voters of the School District approved a bond issue in the amount of \$3.4 million (2.7 mills) to pay for renovations to the high school. Construction commenced in fiscal year 2013 and capital outlay disbursements increased as a result. Fiscal year 2015 shows the final disbursements of capital outlay relating to this project.

**Fort Recovery Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
 (Unaudited)  
 (Continued)

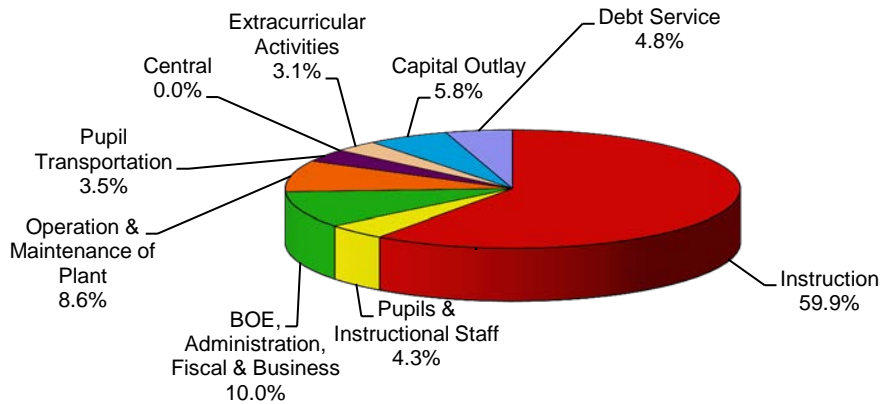
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**Governmental Receipts**



Instruction comprises 59.9% of the School District's disbursements. Support services make up 26.4% of disbursements.

**Governmental Disbursements**



**Fort Recovery Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)  
(Continued)

If you look at the Statement of Activities on page 54 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement.

A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2014	2014	2015	2015
Instruction	\$6,411,441	(\$5,531,801)	\$6,533,294	(\$4,994,902)
Support Services:				
Pupils and Instructional Staff	498,896	(372,766)	471,360	(355,778)
Board of Education, Administration, Fiscal and Business	1,048,487	(1,041,728)	1,079,104	(1,075,202)
Operation and Maintenance of Plant	865,211	(863,661)	940,916	(937,266)
Pupil Transportation	360,692	(354,760)	382,718	(368,455)
Central	1,981	(1,981)	759	(759)
Extracurricular Activities	365,260	(227,127)	341,651	(185,691)
Capital Outlay	1,444,623	(1,444,623)	636,044	(636,044)
Debt Service, includes payment to bond escrow	506,357	(506,357)	518,653	(518,653)
Total Disbursements	<u>\$11,502,948</u>	<u>(\$10,344,804)</u>	<u>\$10,904,499</u>	<u>(\$9,072,750)</u>

The dependence upon property tax receipts and income tax receipts is apparent, as over 83 percent of governmental activities are supported through these general receipts.

**Business-Type Activities**

The School District's most significant business-type activity includes the operation of the food service program. Business-type activities had an increase of net assets of \$33,113 during fiscal year 2015. The Food Service operations were able to cover costs during fiscal year 2015. In addition, the Preschool Program revenues did cover its expenses. The School District will continue to monitor the charges for these services to ensure costs are covered.

**The School District's Funds**

Total governmental funds had receipts of \$11,307,529 and disbursements of \$10,904,499. Contributing factor to the increase in General fund balance was an increase in income tax revenue and state foundation monies.

**Fort Recovery Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)  
(Continued)

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**Budgeting Highlights**

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

During the course of fiscal year 2015, the School District did modify its General Fund budget. The School District uses site-based budgeting, and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For fiscal year 2015, appropriations increased \$360,500 (4%) as a result of increases in special instruction and transfers out.

**Capital Assets and Debt Administration**

*Capital Assets*

The School District does not currently keep track of its capital assets and infrastructure for financial reporting purposes. The School District tracks its capital assets for inventory and insurance purposes only.

*Debt*

At June 30, 2015, the School District's outstanding debt included \$4,374,067 in general obligation bonds and energy conservation bonds issued for improvements to buildings and structures. The amount due in fiscal year 2016 is \$367,371.

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

**Current Issues**

Fort Recovery Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District still relies heavily on the state school foundation program. The School District has a 1.5 percent continuing school district income tax for operating purposes, has several continuing property tax levies, and passed a 2.7 mill School Improvement levy to issue Bonds for renovations at the high school.

Real estate tax collections continue to be a strong revenue source for the District, however, for the past few years, income tax revenues have begun to exceed property tax revenue, which is unusual for a district of our size. Our balance between our income tax and property tax collections has helped us to not have to go back to our voters to seek approval for additional operating levies.

State foundation funding distributions to school districts are determined by the biennial budget adopted by the State Legislators. Per the Ohio Department of Education, the calculation of the various components (opportunity grant, targeted assistance, K-3 literacy, economic disadvantaged funding, limited English proficiency, gifted education, transportation funding, special education additional funding, career tech educational funding) of the new foundation formula will require the use of the new enrollment data that will be collected during the October count week, and some of the data in the new

**Fort Recovery Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)  
(Continued)

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formula is being collected for the first time. Total State Foundation revenues for Fort Recovery Local Schools received for fiscal year 2015 are approximately 4 percent above those received during fiscal year 2014.

All scenarios required management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lori Koch, Treasurer of Fort Recovery Local School District, 400 E. Butler Street, Fort Recovery, OH 45846.

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**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2015**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,952,475	\$ 378,259	\$ 5,330,734
<i>Total Assets</i>	<u>\$ 4,952,475</u>	<u>\$ 378,259</u>	<u>\$ 5,330,734</u>
<b>Net Position</b>			
Restricted for:			
Debt Service	\$ 475,986	0	\$ 475,986
Other Purposes	150,650	0	150,650
Unrestricted	4,325,839	\$ 378,259	4,704,098
<i>Total Net Position</i>	<u>\$ 4,952,475</u>	<u>\$ 378,259</u>	<u>\$ 5,330,734</u>

See accompanying notes to the financial statements

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES- CASH BASIS  
FOR FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>		
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>						
Instruction						
Regular	\$ 4,666,886	\$ 413,901	\$ 33,994	\$ (4,218,991)	\$ 0	\$ (4,218,991)
Special	1,604,612	53,629	908,688	(642,295)	0	(642,295)
Vocational	261,796	1,882	126,298	(133,616)	0	(133,616)
Support Services						
Pupil	257,227	99,943	22,237	(135,047)	0	(135,047)
Instructional Staff	214,133	0	0	(214,133)	0	(214,133)
Board of Education	25,310	0	0	(25,310)	0	(25,310)
Administration	737,611	0	3,902	(733,709)	0	(733,709)
Fiscal	309,182	0	0	(309,182)	0	(309,182)
Business	7,001	0	0	(7,001)	0	(7,001)
Operation and Maintenance of Plant	940,916	3,650	0	(937,266)	0	(937,266)
Pupil Transportation	382,718	7,665	0	(375,053)	0	(375,053)
Central	759	0	0	(759)	0	(759)
Extracurricular Activities	341,651	144,284	11,676	(185,691)	0	(185,691)
Capital Outlay						
Facilities Acquisition and Construction	636,044	0	0	(636,044)	0	(636,044)
Debt Service	518,653	0	0	(518,653)	0	(518,653)
<i>Total Governmental Activities</i>	<u>10,904,499</u>	<u>724,954</u>	<u>1,106,795</u>	<u>(9,072,750)</u>	<u>0</u>	<u>(9,072,750)</u>
<b>Business-Type Activities:</b>						
Food Services	384,759	316,836	82,809	0	14,886	14,886
Preschool Program	52,550	65,361	1,744	0	14,555	14,555
<i>Total Business-Type Activities</i>	<u>437,309</u>	<u>382,197</u>	<u>84,553</u>	<u>0</u>	<u>29,441</u>	<u>29,441</u>
<b>Totals</b>	<u>\$ 11,341,808</u>	<u>\$ 1,107,151</u>	<u>\$ 1,191,348</u>	<u>(9,072,750)</u>	<u>29,441</u>	<u>(9,043,309)</u>
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes				1,977,360	0	1,977,360
Debt Service				483,477	0	483,477
Classroom Facilities & Maintenance				35,833	0	35,833
Income Taxes				2,065,342	0	2,065,342
Grants and Entitlements not Restricted to Specific Programs				4,843,259	0	4,843,259
Gifts and Donations not Restricted to Specific Programs				6,667	0	6,667
Interest				15,447	74	15,521
Miscellaneous				48,395	3,598	51,993
<i>Total General Receipts</i>				<u>9,475,780</u>	<u>3,672</u>	<u>9,479,452</u>
Change in Net Position				403,030	33,113	436,143
<i>Net Position Beginning of Year</i>				<u>4,549,445</u>	<u>345,146</u>	<u>4,894,591</u>
<i>Net Position End of Year</i>				<u>\$ 4,952,475</u>	<u>\$ 378,259</u>	<u>\$ 5,330,734</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,063,113	\$ 889,362	\$ 4,952,475
<i>Total Assets</i>	\$ 4,063,113	\$ 889,362	\$ 4,952,475
<b>Fund Balances</b>			
Nonspendable	\$ 2,342	\$ 0	\$ 2,342
Restricted	0	626,636	626,636
Committed	222,662	0	222,662
Assigned	417,773	262,726	680,499
Unassigned	3,420,336	0	3,420,336
<i>Total Fund Balances</i>	\$ 4,063,113	\$ 889,362	\$ 4,952,475

See accompanying notes to the financial statements

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts</b>			
Property Taxes	\$ 1,977,360	\$ 519,310	\$ 2,496,670
Income Taxes	2,065,342	0	2,065,342
Intergovernmental	5,486,308	432,989	5,919,297
Interest	14,874	573	15,447
Tuition and Fees	387,431	0	387,431
Rent	3,650	0	3,650
Extracurricular Activities	179,475	143,722	323,197
Gifts and Donations	19,526	17,898	37,424
Miscellaneous	59,061	10	59,071
<i>Total Receipts</i>	<u>10,193,027</u>	<u>1,114,502</u>	<u>11,307,529</u>
<b>Disbursements</b>			
Current:			
Instruction			
Regular	4,631,050	35,836	4,666,886
Special	1,312,405	292,207	1,604,612
Vocational	249,296	12,500	261,796
Support Services			
Pupil	257,227	0	257,227
Instructional Staff	214,133	0	214,133
Board of Education	25,310	0	25,310
Administration	733,709	3,902	737,611
Fiscal	297,037	12,145	309,182
Business	7,001	0	7,001
Operation and Maintenance of Plant	819,106	121,810	940,916
Pupil Transportation	308,021	74,697	382,718
Central	759	0	759
Extracurricular Activities	198,106	143,545	341,651
Capital Outlay			
Facilities Acquisition and Construction	0	636,044	636,044
Debt Service			
Principal Retirement	47,371	315,000	362,371
Interest	3,332	152,950	156,282
<i>Total Disbursements</i>	<u>9,103,863</u>	<u>1,800,636</u>	<u>10,904,499</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>1,089,164</u>	<u>(686,134)</u>	<u>403,030</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers - In	0	358,000	358,000
Advances - In	27,000	27,000	54,000
Operating Transfers - Out	(358,000)	0	(358,000)
Advances - Out	(27,000)	(27,000)	(54,000)
<i>Total Other Financing (Uses) Sources</i>	<u>(358,000)</u>	<u>358,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	731,164	(328,134)	403,030
<i>Fund Balances Beginning</i>	<u>3,331,949</u>	<u>1,217,496</u>	<u>4,549,445</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,063,113</u>	<u>\$ 889,362</u>	<u>\$ 4,952,475</u>

See accompanying notes to the financial statements

FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$ 1,790,262	\$ 1,790,262	\$ 1,977,360	\$ 187,098
Income Taxes	1,886,802	1,886,802	2,065,342	178,540
Intergovernmental	5,551,880	5,551,880	5,486,308	(65,572)
Interest	12,060	12,060	14,874	2,814
Tuition and Fees	297,268	297,268	387,431	90,163
Rent	1,612	1,612	3,650	2,038
Gifts and Donations	3,017	3,017	3,887	870
Miscellaneous	5,549	5,549	22,723	17,174
<i>Total Receipts</i>	<u>9,548,450</u>	<u>9,548,450</u>	<u>9,961,575</u>	<u>413,125</u>
<b>Disbursements</b>				
Current:				
Instruction				
Regular	4,726,315	4,554,080	4,629,972	(75,892)
Special	1,187,398	1,402,348	1,333,370	68,978
Vocational	377,081	330,006	277,043	52,963
Other	4,273	4,273	0	4,273
Support Services				
Pupil	185,336	174,901	168,355	6,546
Instructional Staff	220,974	247,959	228,864	19,095
Board of Education	34,336	32,836	35,507	(2,671)
Administration	787,322	823,522	741,561	81,961
Fiscal	308,173	334,323	309,027	25,296
Business	10,335	11,835	11,375	460
Operation and Maintenance of Plant	1,048,911	1,109,711	940,973	168,738
Pupil Transportation	342,690	363,810	335,550	28,260
Central	2,607	2,612	1,389	1,223
Extracurricular Activities	234,616	248,651	198,358	50,293
Debt Service				
Principal Retirement	47,371	47,371	47,371	0
Interest	3,405	3,405	3,332	73
<i>Total Disbursements</i>	<u>9,521,143</u>	<u>9,691,643</u>	<u>9,262,047</u>	<u>429,596</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>27,307</u>	<u>(143,193)</u>	<u>699,528</u>	<u>842,721</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Sale of Capital Assets	0	0	1,727	1,727
Advances - In	0	0	27,000	27,000
Refund of Prior Year Expenditures	0	0	29,893	29,893
Operating Transfers - Out	(270,000)	(458,000)	(458,000)	0
Advances - Out	0	0	(27,000)	(27,000)
Refund of Prior Year Receipts	0	(2,000)	(1,757)	243
<i>Total Other Financing Sources (Uses)</i>	<u>(270,000)</u>	<u>(460,000)</u>	<u>(428,137)</u>	<u>31,863</u>
<i>Net Change in Fund Balance</i>	<u>(242,693)</u>	<u>(603,193)</u>	<u>271,391</u>	<u>874,584</u>
<i>Fund Balance Beginning of Year</i>	<u>2,796,415</u>	<u>2,796,415</u>	<u>2,796,415</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>352,530</u>	<u>352,530</u>	<u>352,530</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,906,252</u>	<u>\$ 2,545,752</u>	<u>\$ 3,420,336</u>	<u>\$ 874,584</u>

See accompanying notes to the financial statements

**STATEMENT OF FUND NET POSITION - CASH BASIS  
 PROPRIETARY FUNDS  
 JUNE 30, 2015**

	<b>Business - Type Activity</b>		
	<b>Food Service</b>	<b>All Other Enterprise</b>	<b>Totals</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 335,731	\$ 42,528	\$ 378,259
<i>Total Assets</i>	<u>\$ 335,731</u>	<u>\$ 42,528</u>	<u>\$ 378,259</u>
<b>Net Position</b>			
Unrestricted	\$ 335,731	\$ 42,528	\$ 378,259
<i>Total Net Position</i>	<u>\$ 335,731</u>	<u>\$ 42,528</u>	<u>\$ 378,259</u>

See accompanying notes to the financial statements

FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
FOR FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activity		Totals
	Food Service	All Other Enterprise	
<b>Operating Receipts</b>			
Charges for Services	\$ 316,836	\$ 0	\$ 316,836
Tuition and Fees	-	65,361	65,361
Other Operating Revenues	3,598	0	3,598
<i>Total Operating Receipts</i>	<u>320,434</u>	<u>65,361</u>	<u>385,795</u>
<b>Operating Disbursements</b>			
Salaries	131,451	33,135	164,586
Fringe Benefits	23,766	10,457	34,223
Purchased Services	6,738	773	7,511
Materials and Supplies	212,181	6,885	219,066
Capital Outlay	10,360	1,300	11,660
Other	263	0	263
<i>Total Operating Disbursements</i>	<u>384,759</u>	<u>52,550</u>	<u>437,309</u>
<i>Operating Income (Loss)</i>	<u>(64,325)</u>	<u>12,811</u>	<u>(51,514)</u>
<b>Non-Operating Receipts (Expenses)</b>			
Federal and State Subsidies	82,809	1,744	84,553
Interest	74	0	74
<i>Total Non-Operating Receipts (Expenses)</i>	<u>82,883</u>	<u>1,744</u>	<u>84,627</u>
<i>Change in Net Position</i>	18,558	14,555	33,113
<i>Net Position Beginning of Year</i>	<u>317,173</u>	<u>27,973</u>	<u>345,146</u>
<i>Net Position End of Year</i>	<u>\$ 335,731</u>	<u>\$ 42,528</u>	<u>\$ 378,259</u>

See accompanying notes to the financial statements

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,250	\$ 71,390
<i>Total Assets</i>	\$ 1,250	\$ 71,390
<b>Liabilities</b>		
Due to Students	\$ -	\$ 71,385
Due to Employees		5
Total Liabilities		\$ 71,390
<b>Net Position</b>		
Held in Trust for Scholarships Expendable	\$ 1,250	
<i>Total Net Position</i>	\$ 1,250	

See accompanying notes to the financial statements



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Private Purpose Trust</b>
<b>Additions</b>	
Interest	<u>\$ 0</u>
<i>Total Additions</i>	<u>0</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>6,250</u>
<i>Change in Net Position</i>	(6,250)
<i>Net Position Beginning of Year</i>	<u>7,500</u>
<i>Net Position End of Year</i>	<u><u>\$ 1,250</u></u>

See accompanying notes to the financial statements

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**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 1 – Description of the School District and Reporting Entity**

Fort Recovery Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in a rural community in Northwest Ohio. The School District is located in Mercer County. The School District is staffed by 41 non-certificated employees and 66 certificated full-time teaching personnel who provide services to 956 students and other community members.

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

**A. Primary Government**

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

**B. Component Units**

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in six jointly governed organizations, three insurance purchasing pools and one related organization. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative  
Mercer County Local Professional Development Committee  
West Central Ohio Special Education Regional Resource Center  
West Central Ohio Regional Professional Development Center  
Southwestern Ohio Educational Purchasing Council  
Southwestern Ohio Instructional Technology Association

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 1 - Reporting Entity** (continued)

Insurance Purchasing Pools:

Ohio Association of School Business Officials Workers' Compensation Group  
Rating Plan  
Mercer Auglaize Employee Benefit Trust  
Ohio School Insurance Plan

Related Organization:

Fort Recovery Public Library

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

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**Fund Financial Statements**

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

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**B. Fund Accounting**

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

**Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School 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 to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**Proprietary Funds**

The School District classifies funds financed primarily from user charges for goods or services as proprietary. The School District's proprietary funds consist of enterprise funds.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is the Food Service Fund which accounts for fees and intergovernmental revenues used to run the food service program. The School District's other enterprise funds accounts for the adult education program and preschool program.

**Fiduciary Funds**

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature. The School District only maintains agency funds which account for the Section 125 plan and those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School 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. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials and the fund financial statements for business-type activities would be presented on the accrual basis of accounting.

**D. Cash and Investments**

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

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2015, the School District invested in nonnegotiable certificates of deposits and Federated Government Obligations Money Market Fund.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2015 was \$14,874 which included \$3,939 assigned from other School District funds.

**E. Inventory and Prepaid Items**

On a cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

**F. Capital Assets**

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

**G. Interfund Receivables/Payables**

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

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

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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

**J. Long-Term Obligations**

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**K. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. The School District did not have any assets restricted by enabling legislation at June 30, 2015.

**L. Fund Balance**

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

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.

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.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by 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.



**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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

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

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

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

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another fund 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 financial statements.

**N. Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the School District, these receipts are tuition for preschool and sales for food service. Operating disbursements are necessary costs incurred to provide the good or service that are the primary activity of the fund. Receipts and disbursements that do not meet these definitions are reported as non-operating.

**O. 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 cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds, except the General Fund. The School District legal level of control for the general fund is the object level. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. 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 appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first 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.

**Note 3 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and cash basis are

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 731,164
Encumbrances	(338,449)
Perspective Differences	(121,324)
Budgetary Basis	<u>\$ 271,391</u>

**Note 4 - Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board 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.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 4 - Deposits and Investments** (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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);
7. Certain bankers' acceptances 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 circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 4 - Deposits and Investments** (continued)

***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$5,058,734 and the bank balance was \$5,266,441. \$3,017,183 of the School District's deposits was insured by federal depository insurance. As of June 30, 2015, \$2,249,258 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

***Investments***

Investments are reported at fair value. As of June 30, 2015, the School District's investment included \$344,640 in Federated Government Obligations Money Market Fund.

*Interest Rate Risk* – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements of ongoing operations. The average maturity of the Federated Government Obligations Money Market Fund is 41 days.

*Credit Risk* – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The Federated Government Obligations Money Market Fund carries an S&P credit rating of AAAM.

*Custodial Credit Risk* - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**Note 4 - Deposits and Investments** (continued)

*Concentration of Credit Risk* - The School District places no limits on the amount the School District may invest in any one issuer. The School District's investment percentage for the Federated Government Obligations Money Market Fund is 100%.

**Note 5 - Property Taxes**

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$92,212,350	96.50%	\$114,687,570	97.06%
Public Utility Personal	3,336,980	3.50%	3,469,590	2.94%
Total	<u>\$95,549,330</u>	<u>100.00%</u>	<u>\$118,157,160</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$33.60		\$33.10	

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**Note 6 - Income Taxes**

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. An original one percent tax was effective on January 1, 1991, with an additional .5 percent tax passed in May 2005. This is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Note 7 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015 the School District's property, fleet coverage, and liability insurance was provided by Selective Insurance Company.

Coverage provided is as follows:

Building and Business Personal	
Property Coverage (\$5,000 deductible)	\$35,078,032
Automobile Liability (\$500 deductible)	1,000,000
Uninsured/Underinsured Motorists (\$500 deductible)	1,000,000
General Liability:	
Each Occurrence	1,000,000
Medical Expense – any one person/each accident	5,000
General Aggregate Limit	3,000,000
Employee Benefits Liability:	
Each Offense (\$1,000 deductible)	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease – each employee	1,000,000
Disease Policy Limit	1,000,000
Aggregate	1,000,000
Educational Legal Liability:	
Errors and Omissions Injury – each wrongful act (\$10,000 deductible)	1,000,000
Errors and Omissions Injury Aggregate	1,000,000
Sexual Misconduct and Molestation Liability:	
Each Offense (\$2,500 deductible)	1,000,000
Aggregate	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 7 - Risk Management** (continued)

**B. Workers' Compensation**

For fiscal year 2015, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Comp Management, Inc. provides the administrative, cost control and actuarial services to the GRP.

**C. Health Care Benefits**

The School District participates in the Mercer Auglaize Employee Trust (Trust), a public entity shared risk pool (Note 14) consisting of eleven local districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical, dental, and vision insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**Note 8 - Defined Benefit Pension Plans**

***Net Pension Liability***

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**Note 8 - Defined Benefit Pension Plans** (continued)

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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



**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 8 - Defined Benefit Pension Plans** (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$128,757 for fiscal year 2015.

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

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 8 - Defined Benefit Pension Plans** (continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$556,233 for fiscal year 2015.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$9,301,219	\$1,784,792	\$11,086,011
Proportion of the Net Pension Liability	0.382397%	0.3526600%	

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**Note 8 - Defined Benefit Pension Plans** (continued)

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015  
(Continued)

**Note 8 - Defined Benefit Pension Plans** (continued)

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,546,368	\$1,784,792	\$1,144,241

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**Note 8 - Defined Benefit Pension Plans** (continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**Note 8 - Defined Benefit Pension Plans** (continued)

	1% Decrease	Current	1% Increase
	(6.75%)	Discount Rate (7.75%)	(8.75%)
School District's proportionate share of the net pension liability	\$13,315,708	\$9,301,219	\$5,910,135

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2015, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 9 - Postemployment Benefits**

**A. School Employees Retirement System**

Plan Description – The School 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.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 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. The Medicare Part B premium for calendar year 2014 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending upon their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$7,659, \$7,333, and \$6,645 respectively; 90.44 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 9 - Postemployment Benefits** (continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is .82 percent. 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 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge.

For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$25,506, \$18,371, and \$18,456, respectively; 90.44 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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 or by calling toll free (800) 878-5853. It is also posted on the SERS' at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**B. State Teachers Retirement System of Ohio**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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 report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (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 2015, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$39,265, and \$39,808, respectively; 100 percent for fiscal years 2015, 2014, and 2013.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015  
(Continued)

**Note 10 – Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation leave may be carried over from one year to the next and can be accumulated up to a 3 year maximum. Unused vacation time is paid to classified employees and administrators upon retirement. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, employees who meet the State requirement of 10 years of service will receive payment for twenty-five percent of accrued, but unused sick leave credit to a maximum of 150 days for all employees, plus an addition two and one-half days for each year over twenty years of service in the Fort Recovery School System (60 day maximum).

**B. Insurance Benefits**

The School District provides life insurance to most employees through AIG American General. Vision insurance is provided through the Vision Service Plan. Medical/surgical benefits and dental benefits are provided through CoreSource through the Mercer Auglaize Employee Benefit Trust (See Note 14).

**Note 11 – Debt**

The changes in the School District’s long-term obligations during fiscal year 2015 were as follows:

	Amount Outstanding 6/30/2014	Additions	Deletions	Amount Outstanding 6/30/2015	Amount Due in One Year
<b>Governmental Activities</b>					
2010 Classroom Facilities Refunding Serial Bonds 2% - 4%	\$ 1,460,000	\$ -	\$ (200,000)	\$ 1,260,000	\$ 205,000
2011 School Energy Conservation Bonds - 2.85%	141,438	-	(47,371)	94,067	47,371
2012 School Improvement Bonds - 1.5% - 4%	3,135,000	-	(115,000)	3,020,000	115,000
Total Governmental Activities Long-Term Liabilities	<u>\$ 4,736,438</u>	<u>\$ -</u>	<u>\$ (362,371)</u>	<u>\$ 4,374,067</u>	<u>\$ 367,371</u>

**2010 Classroom Facilities Refunding Bonds** – On June 3, 2010, the School District issued \$1,665,000 in general obligation bonds with interest rates between 2% to 4% to advance refund \$1,670,000 of the 1998 School Improvement General Obligation Bonds. The bonds are being retired from the Bond Retirement debt service fund.

**2011 School Energy Conservation Bonds** – On October 25, 2011, the School District issued \$236,180 in School Energy Conservation Improvement Bonds carrying a 2.85% interest rate. The bonds will mature December 1, 2016, and will be paid from savings resulting from the conservation measures.



**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**Note 11 – Debt** (continued)

**2012 School Improvement Bonds** – On March 21, 2012, the School District issued \$3,385,000 in school improvement bonds that were used to pay off a \$3,400,000 school improvement bond anticipation note. The bonds interest rate varies between 1.5% and 4%. The final payments on the bonds will be December 1, 2034. The bonds will be paid out of the Bond Retirement debt service fund from property taxes receipts from a bond levy approved by the voters on November 8, 2011.

The School District's overall legal debt margin was \$6,736,063 the un-voted debt margin was \$118,157 and the energy conservation debt margin was \$969,347 at June 30, 2015.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Energy Conservation Bonds		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	\$320,000	\$142,838	\$47,371	\$2,039	\$367,371	\$144,877	\$512,248
2017	335,000	132,675	46,696	676	381,696	133,351	515,047
2018	345,000	121,925	-	-	345,000	121,925	466,925
2019	355,000	110,525	-	-	355,000	110,525	465,525
2020	360,000	98,725	-	-	360,000	98,725	458,725
2021-2025	825,000	393,812	-	-	825,000	393,812	1,218,812
2026-2030	785,000	271,375	-	-	785,000	271,375	1,056,375
2031-2035	955,000	98,500	-	-	955,000	98,500	1,053,500
Grand Total	<u>\$4,280,000</u>	<u>\$1,370,375</u>	<u>\$94,067</u>	<u>\$2,715</u>	<u>\$4,374,067</u>	<u>\$1,373,090</u>	<u>\$5,747,157</u>

In fiscal year 1997, the School District was awarded \$16,145,140 for construction and improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds remaining from the issuance of bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

**Note 12 – Fund Balance**

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

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

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**Note 12 – Fund Balance** (Continued)

Fund Balance	General	Other Governmental Funds	Total Governmental Funds
Nonspendable	\$ 2,342	\$ -	\$ 2,342
Restricted:			
Classroom Maintenance	-	79,129	79,129
Athletics	-	58,773	58,773
Local Grants	-	2,498	2,498
Debt Service	-	475,986	475,986
Capital Improvements	-	-	-
State and Federal Grants	-	10,250	10,250
Total Restricted	-	626,636	626,636
Committed to:			
Termination Benefits	222,662	-	222,662
Assigned for:			
Unpaid Obligations	338,448	-	338,448
Public School Support	79,325	-	79,325
Capital Improvements	-	262,726	262,726
Total Assigned	417,773	262,726	680,499
Unassigned	3,420,336	-	3,420,336
Total Fund Balance	\$ 4,063,113	\$ 889,362	\$ 4,952,475

**Note 13 – Set-Aside Requirements**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2015.

Set-aside Reserve Balance as of June 30, 2014	<u>Capital Improvements</u> \$0
Current Year Set-aside Requirement	159,772
Qualifying Disbursements	(159,772)
Total	<u>\$0</u>

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 14 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization**

**A. Jointly Governed Organizations**

*Northwest Ohio Area Computer Services Cooperative* - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among school districts in Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Van Wert and Wood counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these school supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2015, the School District contributed \$38,322 to NOACSC. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 645 South Main Street, Lima, OH 45804.

*Mercer County Local Professional Development Committee* - The School District is a participant in the Mercer County Local Professional Development Committee (Committee), which is a regional council of governments established to provide professional education license renewal standards and procedures. The Committee is governed by an eleven member board made up of six teachers, two principals, once superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$127 during the fiscal year. Financial information can be obtained from Mary Brandon, Treasurer of the Mercer County Educational Service Center at 441 East Market Street, Celina, Ohio 45822.

*West Central Ohio Special Education Regional Resource Center* - The West Central Ohio Special Education Regional Resource Center (SERRC) 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 SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$0 during fiscal year 2015. Financial information can be obtained by contacting Keith Thomas, Treasurer, at the Midwest Regional Educational Service Center, 121 South Opera Street, Bellefontaine, Ohio 43311.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 14 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization**  
(continued)

*West Central Ohio Regional Professional Development Center* (Center) – The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$1,244 to the Center during the fiscal year. Financial information can be obtained by contacting Greg Spiess, Treasurer, at the Hancock County Education Service Center, 7746 County Road 140, Findlay, Ohio 45840.

*Southwestern Ohio Educational Purchasing Council* - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2015, the School District paid \$33,627 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

*Southwestern Ohio Instructional Technology Association* - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 14 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization**  
(continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2015, the School District made \$748 in payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 1205 E. Fifth Street, Dayton, Ohio 45402.

**B. Insurance Purchasing Pools**

*Ohio Association of School Business Officials Workers' Compensation Group Rating Plan* - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool.

*Mercer Auglaize Employee Benefit Trust* – The Mercer Auglaize Employee Benefit Trust (Trust) is a insurance pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 50(C)(9) of the Internal Revenue Code and provides medical, dental and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plan offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler, JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

*Ohio School Insurance Plan (Plan)* – The School District participates in the Ohio School Insurance 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 board composed of officials from various member entities. The Hylant Administrative Services, LLC is the Plan's administrator and is responsible for processing claims. Financial information can be obtained from Ohio School Plan, c/o Hyland Administrative Services, LLC 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43606-2083.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**Note 14 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization**  
(continued)

**C. Related Organization**

*Fort Recovery Public Library* – The Fort Recovery Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. The School District did not make any financial contributions to the Fort Recovery Public Library during the fiscal year. Financial information can be obtained from the Fort Recovery Public Library, Julie Wuebker, Clerk/Treasurer, at 113 North Wayne Street, Fort Recovery, Ohio 45846.

**Note 15 - Interfund Balances**

During fiscal year 2015, the School District advanced \$10,000 and \$7,000, to the Title I and Improving Teacher Quality special revenue funds from the General Fund. These advances were necessary due to the timing of the receipt of grants and were repaid during fiscal year 2015.

During fiscal year 2014, the School District advanced \$10,000 to the Race to the Top special revenue fund from the General Fund. This advance was necessary due to the timing of the receipt of grants and was repaid in fiscal year 2015.

During fiscal year 2015, the School District advanced \$10,000 to the Preschool Grant special revenue fund. This advance was necessary due to the timing of the receipt of grants and will be repaid in fiscal year 2016.

During fiscal year 2015, the School District transferred \$358,000 from the General Fund to the Permanent Improvement capital projects fund. The transfer was to provide for capital acquisitions.

**Note 16 – Contractual Commitments**

As of June 30, 2015, the School District had the following outstanding contractual commitments:

Vendor	Purchase Order Amount	Disbursed	Remaining Amount
Cardinal Bus Sales & Service	\$ 41,284	\$ -	\$ 41,284
Voya Financial Advisors	35,478	-	35,478
Tri Star Career Compact	35,000	9,900	25,100

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 17 – Donor Restricted Endowments**

The School District's private purpose trust funds include donor-restricted endowments. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is shown as net position held in trust for scholarships - expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments of the private purpose funds indicate that the interest should be used to provide scholarships.

**Note 18 – Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School 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 position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**Note 19 – Contingent Liabilities**

***A. Grants***

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

***B. Litigation***

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

***C. School Foundation***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this may result in either a material contingency of the School District.

**Fort Recovery Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**Note 20 – Change in Accounting Principles**

For fiscal year 2015, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27”* and *Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date.”* GASB *Statement No. 68* improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB *Statement No. 71*, amends GASB *Statement No. 68* and is effective with the provisions of GASB *Statement No. 68*. The implementation of these statements is described further in Note 8.





# 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*

Fort Recovery Local School District  
Mercer County  
400 E. Butler Street; P.O. Box 604  
Fort Recovery, Ohio 45846

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 cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fort Recovery Local School District, Mercer County, (the School District) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 4, 2017, wherein we noted the School 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 School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2016-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 4, 2017

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Failure to File GAAP – Noncompliance**

**Ohio Rev. Code § 117.38** provides, in part, that each public office, other than a state agency, 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. Ohio Administrative Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

**Ohio Adm. Code § 117-2-03(B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal years 2016 and 2015 in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District did not file GAAP statements.

The School District should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows, equity and the disclosures required to accurately and completely present the School District's financial condition.

**Official's Response:** These citations were a result of the District not preparing its financial statements in accordance with generally accepted accounting principles (GAAP). The District has prepared its financial statements using an alternative cash basis of financial reporting by compiling and completing OCBOA (other comprehensive basis of accounting) financial reports for fiscal years ended June 30, 2015 and June 30, 2016. While we admit that the Ohio Administrative Code requires the District to file our financial reports on a GAAP basis, the District believes that the financial costs associated with generating and auditing the reports on the GAAP basis, outweigh any benefits that the District may obtain from preparing and filing GAAP reports.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	ORC 117.38 and OAC 117-2-03(B)-failure to file financial statements prepared in accordance with generally accepted accounting principles (GAAP)	Not Corrected	<p>The District has prepared its financial statements using an alternative cash basis of financial reporting by compiling and completing OCBOA (other comprehensive basis of accounting) financial reports for fiscal years ended June 30, 2015 and June 30, 2016. While we admit that the Ohio Administrative Code requires the District to file our financial reports on a GAAP basis, the District believes that the financial costs associated with generating and auditing the reports on the GAAP basis, outweigh any benefits that the District may obtain from preparing and filing GAAP reports.</p> <p>Repeated as Finding 2016-001</p>



# Dave Yost • Auditor of State

**FORT RECOVERY LOCAL SCHOOL DISTRICT**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 23, 2017**