



Dave Yost • Auditor of State

OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Old Fort Local School District
Seneca County
7635 North County Road 51
P.O. Box 64
Old Fort, Ohio 44861-0064

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Old Fort Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Old Fort Local School District, Seneca County, Ohio, as of June 30, 2010, and the respective changes in cash financial position and the budgetary comparison for the

General Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the year ended June 30, 2010, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Dave Yost
Auditor of State

January 12, 2011

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The management's discussion and analysis of the Old Fort Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- The total net assets of the District decreased \$397,910 or 25.47% from fiscal year 2009.
- General receipts accounted for \$3,220,843 or 65.75% of total governmental activities receipts. Program specific receipts accounted for \$1,677,720 or 34.25% of total governmental activities receipts.
- The District had \$5,296,473 in disbursements related to governmental activities; \$1,677,720 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily taxes) of \$3,220,843 were not adequate to provide for these programs.
- The District's major funds are the general fund and permanent improvement fund. The general fund, the District's largest major fund, had total receipts and other financing sources of \$4,177,027 in 2010. The disbursements and other financing uses of the general fund, totaled \$4,477,190 in 2010. The general fund's balance decreased \$300,163 or 24.54% from 2009 to 2010.
- The permanent improvement fund, a District major fund, had total receipts of \$87,438 in 2010. The permanent improvement fund had total disbursements of \$171,133 in 2010. The permanent improvement fund balance decreased \$83,695 or 36.20% from 2009 to 2010.

Using the Basic Financial Statements

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

The statement of net assets - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

Basis of Accounting

The District has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net assets will be cash, cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and statement of activities reflect how the District did financially during fiscal year 2010, (this is the first year) within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental type activities of the District at the fiscal year end. The statement of activities compares cash disbursements with program receipts of each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's net cash position and the changes in cash position. Keeping in mind the limitations of the cash basis accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position in one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and statement of activities, the governmental activities include the District's programs and services including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end available for spending in future periods. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be readily spent to finance various District programs. The 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 a single column.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund.

Notes to the Financial Statements

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

The District as a Whole

The table below provides a summary of the District's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
	<u> </u>	<u> </u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 1,164,537	\$ 1,562,488
Cash with fiscal agent	41	
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,164,578</u>	<u>\$ 1,562,488</u>
<u>Net Assets</u>		
Restricted	\$ 241,433	\$ 339,180
Unrestricted	<u>923,145</u>	<u>1,223,308</u>
Total net assets	<u>\$ 1,164,578</u>	<u>\$ 1,562,488</u>

The total net assets of the District decreased \$397,910, which represents a 25.47% decrease from fiscal year 2009. The balance of government-wide unrestricted net assets of \$923,145 may be used to meet the government's ongoing obligations to citizens and creditors.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The table below shows the changes in net assets for fiscal years 2010 and 2009.

	Change in Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
Receipts:		
Program receipts:		
Charges for services and sales	\$ 954,007	\$ 988,180
Operating grants and contributions	723,713	389,391
Capital grants and contributions		5,464
	<u>1,677,720</u>	<u>1,383,035</u>
Total program receipts		
	1,677,720	1,383,035
General receipts:		
Property taxes	1,101,627	1,130,584
Income tax	406,999	441,696
Unrestricted grants	1,659,796	1,894,885
Payments in lieu of taxes	17,195	23,998
Investment earnings	4,748	27,893
Other	30,478	6,378
	<u>3,220,843</u>	<u>3,525,434</u>
Total general receipts	3,220,843	3,525,434
	3,220,843	3,525,434
Total receipts	<u>4,898,563</u>	<u>4,908,469</u>
	4,898,563	4,908,469

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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	Change in Net Assets (Continued)	
	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
Disbursements:		
Instruction:		
Regular	\$ 2,417,923	\$ 2,396,261
Special	445,895	387,480
Vocational	46,611	52,872
Other	88,273	62,286
Support services:		
Pupil	184,529	166,573
Instructional staff	190,969	234,181
Board of education	14,659	13,080
Administration	454,031	448,604
Fiscal	182,406	201,363
Operations and maintenance	457,634	477,762
Pupil transportation	380,998	249,003
Central	75,033	58,738
Non instructional services:		
Food service operations	156,804	165,144
Other non instructional services		7
Extracurricular	182,064	180,382
Facilities acquisition and construction	144	
Debt service:		
Principal retirement	16,346	14,264
Interest and fiscal charges	2,154	5,643
Total disbursements	<u>5,296,473</u>	<u>5,113,643</u>
Change in net assets	(397,910)	(205,174)
Net assets at beginning of year	<u>1,562,488</u>	<u>1,767,662</u>
Net assets at end of year	<u>\$ 1,164,578</u>	<u>\$ 1,562,488</u>

Governmental Activities

Governmental assets decreased by \$397,910 in 2010 from 2009. Total governmental disbursements of \$5,296,473 were offset by program receipts of \$1,677,720 and general receipts of \$3,220,843. Program receipts supported 31.68% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 64.68% of total governmental receipts. Real estate property is reappraised every six years.

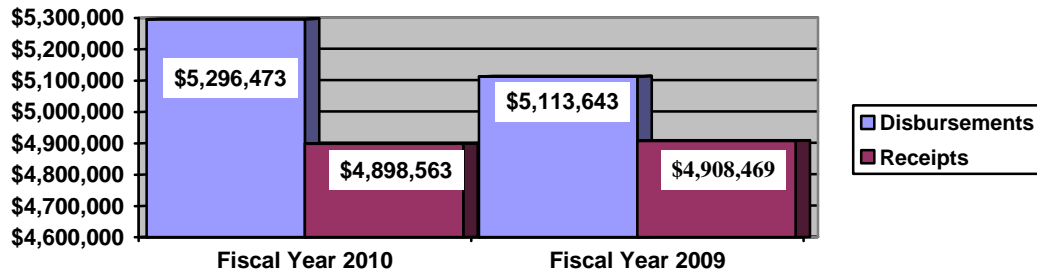
The largest disbursement of the District is for instructional programs. Instruction disbursements totaled \$2,998,702 or 56.62% of total governmental disbursements for fiscal year 2010.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2010 and 2009.

Governmental Activities - Total Receipts vs. Total Disbursements



The statement of activities shows the cost of program services and the charges for services and grants off setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
Disbursements:				
Instruction:				
Regular	\$ 2,417,923	\$ 1,611,279	\$ 2,396,261	\$ 1,584,495
Special	445,895	172,090	387,480	130,516
Vocational	46,611	46,546	52,872	52,807
Other	88,273	25,235	62,286	19,419
Support services:				
Pupil	184,529	184,286	166,573	164,876
Instructional staff	190,969	151,725	234,181	213,756
Board of education	14,659	14,659	13,080	10,080
Administration	454,031	453,669	448,604	448,341
Fiscal	182,406	182,378	201,363	201,359
Operations and maintenance	457,634	315,172	477,762	469,186
Pupil transportation	380,998	240,863	249,003	232,069
Central	75,033	65,460	58,738	52,882
Non-instructional services:				
Food service operations	156,804	2,933	165,144	11,818
Other non-instructional services			7	7
Extracurricular	182,064	133,814	180,382	119,090
Facilities acquisition and construction	144	144		
Debt service:				
Principal retirement	16,346	16,346	14,264	14,264
Interest and fiscal charges	2,154	2,154	5,643	5,643
Total	<u>\$ 5,296,473</u>	<u>\$ 3,618,753</u>	<u>\$ 5,113,643</u>	<u>\$ 3,730,608</u>

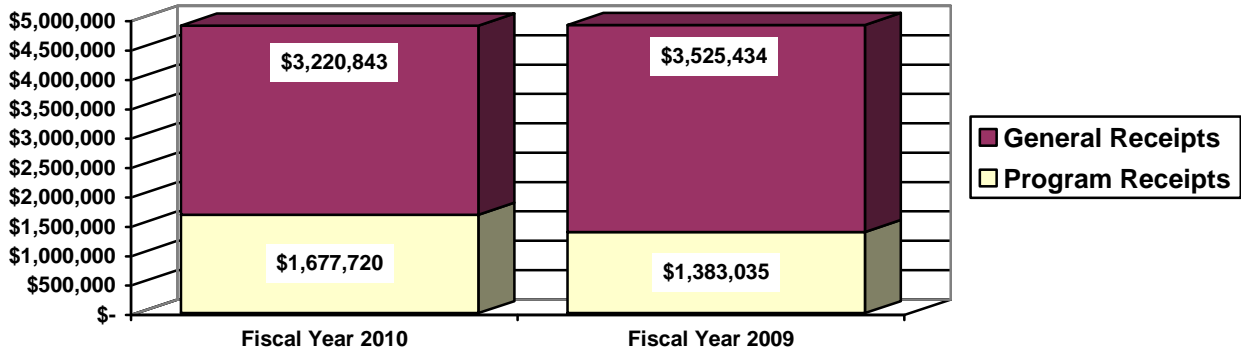
The dependence upon general receipts for governmental activities is apparent; with 68.32% of disbursements supported through taxes and other general receipts during 2010. For all governmental activities, general receipts support is 60.81%. The District's taxpayers, as a whole, are by far the primary support of the District's students.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The graph below presents the District's governmental activities receipts for fiscal year 2010 and 2009.

Governmental Activities - General and Program Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of \$1,164,578, which is \$397,910 below last year's total of \$1,562,488. Fund balances at June 30, 2009 have been restated as described in Note 3.B. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2010 and June 30, 2009, for all major and nonmajor governmental funds.

	Fund Balance <u>June 30, 2010</u>	(Restated) Fund Balance <u>June 30, 2009</u>	<u>Decrease</u>
Major Funds:			
General	\$ 923,145	\$ 1,223,308	\$ (300,163)
Permanent improvement	147,524	231,219	(83,695)
Other nonmajor governmental funds	<u>93,909</u>	<u>107,961</u>	<u>(14,052)</u>
Total	<u>\$ 1,164,578</u>	<u>\$ 1,562,488</u>	<u>\$ (397,910)</u>

General Fund

The general fund, the District's largest major fund, had total receipts and other financing sources of \$4,177,027 in 2010. The disbursements and other financing uses of the general fund, totaled \$4,477,190 in 2010. The general fund's balance decreased \$300,163 or 24.54% from 2009 to 2010.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<u>Receipts:</u>			
Taxes	\$ 1,441,708	\$ 1,503,561	(4.11) %
Tuition	760,847	772,990	(1.57) %
Earnings on investments	4,748	27,893	(82.98) %
Other local revenues	70,036	41,961	66.91 %
Payments in lieu of taxes	16,633	23,239	(28.43) %
Intergovernmental - State	<u>1,860,765</u>	<u>1,980,869</u>	(6.06) %
Total	<u>\$ 4,154,737</u>	<u>\$ 4,350,513</u>	(4.50) %

Earnings on investments decreased due to lower interest earning investments. During 2010, tax receipts decreased \$61,853 or 4.11% due to a decrease in income tax collections and the phase out of tangible personal property taxes. Refunds of prior year expenditures resulted in an increase in other local revenues. Intergovernmental revenues decreased as a result of a decrease in foundation revenues received during the year. All other revenue remained comparable to 2009.

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<u>Disbursements</u>			
Instruction	\$ 2,661,429	\$ 2,673,730	(0.46) %
Support services	1,646,298	1,802,448	(8.66) %
Operation of non-instructional services		7	(100.00) %
Extracurricular	128,529	120,210	6.92 %
Facilities acquisition and construction	144		100.00 %
Debt service	<u>18,500</u>	<u>19,907</u>	(7.07) %
Total	<u>\$ 4,454,900</u>	<u>\$ 4,616,302</u>	(3.50) %

Disbursements remained comparable to 2009. Overall, disbursements decreased \$161,402 from 2009.

Permanent Improvement Fund

The permanent improvement fund, a District major fund, had total receipts of \$87,438 in 2010. The permanent improvement fund had total disbursements of \$171,133 in 2010. The permanent improvement fund balance decreased \$83,695 or 36.20% from 2009 to 2010.

Budgeting Highlights - General Fund

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

For the general fund, final budgeted receipts and other financing sources of \$4,464,000 were equal to original budgeted receipts and other financing sources. Actual receipts and other financing sources of \$4,177,027 were lower than final budgeted receipts and other financing sources by \$286,973. The final budgeted disbursements of \$4,789,463 equal to the original budgeted disbursements. The actual disbursements and

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

financing uses.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$144 during fiscal year 2010.

Debt Administration

The District had an energy conservation loan balance of \$84,381 and \$100,727 outstanding at June 30, 2010 and 2009, respectively. For further information regarding the District's debt, refer to Note 9 to the financial statements.

Current Financial Related Activities

In November 2008, the voters of the District renewed a five-year 1% income tax that was scheduled to expire on January 1, 2010. At the time of renewal, the income tax was estimated to generate \$458,000 annually, however in fiscal year 2010 it actually generated \$406,999 or 9% of the District's total operating revenue. In addition to the income tax, the District currently levies real estate taxes totaling 44.3 mills for general operations and 2 mills for permanent improvements. These taxes generated \$1,030,683 or 24% of the District's operating revenue during fiscal year 2010.

Unrestricted funding from the State of Ohio's new Evidence Based Model for educational units and components provided \$1,548,562 or 36% of the District's operating revenue, which was \$108,016 less than the prior year's guaranteed per pupil funding. The loss was replaced by State Fiscal Stabilization Funds, provided by the federal stimulus Act, totaling \$105,562. The replacement stimulus funds were only approved for two years thus will be discontinued beginning fiscal year 2012. The District's five-year forecast prepared in May 2010 begins to project a negative ending balance at the end of the same fiscal year.

In addition to State Fiscal Stabilization Funds, the federal stimulus Act also provides additional dollars restricted for special education and Title I programs for two years. The District received an additional \$99,338 during fiscal year 2010 to supplement such programs. Additional funds will be discontinued in fiscal year 2012. Therefore, supplements must be absorbed by the general fund or discontinued at that time.

The District was able to reduce its total operating expenditures \$34,587 from fiscal year 2009 to fiscal year 2010, but still remains in deficit spending, which began in fiscal year 2008. Deficit spending occurs when total expenditures exceed total revenues in any given year. In fiscal year 2010, expenditures were reduced in all categories except employee benefits due to the 15% medical premium increase that was paid entirely by the District. The District's five-year forecast currently projects the continuation of deficit spending if all trends continue. Additional revenues from new operating levies or budget reductions will be necessary to discontinue such deficits and avoid negative ending cash balances in the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Sharon Perry, Old Fort Local School District, 7635 N. Co. Rd. 51, Old Fort, Ohio 44861.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,164,537
Cash with fiscal agent.	41
	1,164,578
Total assets.	1,164,578
 Net Assets:	
Restricted for:	
Capital projects.	147,524
State funded programs.	505
Federally funded programs.	1,044
Public school support	4,861
Student activities	17,648
Food service activities.	11,639
Other purposes.	58,212
Unrestricted.	923,145
	923,145
Total net assets.	\$ 1,164,578

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 2,417,923	\$ 780,653	\$ 25,991	\$ (1,611,279)
Special	445,895	2,852	270,953	(172,090)
Vocational	46,611		65	(46,546)
Other	88,273		63,038	(25,235)
Support services:				
Pupil.	184,529		243	(184,286)
Instructional staff	190,969		39,244	(151,725)
Board of education	14,659			(14,659)
Administration.	454,031		362	(453,669)
Fiscal.	182,406		28	(182,378)
Operations and maintenance	457,634	17,042	125,420	(315,172)
Pupil transportation.	380,998	9,477	130,658	(240,863)
Central	75,033		9,573	(65,460)
Operation of non-instructional services:				
Food service operations	156,804	100,620	53,251	(2,933)
Extracurricular activities.	182,064	43,363	4,887	(133,814)
Facilities acquisition and construction.				
	144			(144)
Debt service:				
Principal retirement.	16,346			(16,346)
Interest and fiscal charges	2,154			(2,154)
Total governmental activities	<u>\$ 5,296,473</u>	<u>\$ 954,007</u>	<u>\$ 723,713</u>	<u>(3,618,753)</u>
General Receipts:				
Property taxes levied for:				
General purposes				1,034,709
Capital projects				66,918
School district income tax				406,999
Grants and entitlements not restricted to specific programs.				
				1,659,796
Payments in lieu of taxes				17,195
Investment earnings				4,748
Miscellaneous				30,478
Total general receipts.				<u>3,220,843</u>
Change in net assets				(397,910)
Net assets at beginning of year				<u>1,562,488</u>
Net assets at end of year.				<u>\$ 1,164,578</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 923,145	\$ 147,524	\$ 93,868	\$ 1,164,537
Cash with fiscal agent			41	41
Total assets	<u>\$ 923,145</u>	<u>\$ 147,524</u>	<u>\$ 93,909</u>	<u>\$ 1,164,578</u>
Fund Balances:				
Reserved for encumbrances	\$ 73,243	\$ 1,805	\$ 3,991	\$ 79,039
Unreserved, undesignated, reported in:				
General fund	849,902			849,902
Special revenue funds.			89,918	89,918
Capital projects funds.		145,719		145,719
Total fund balances	<u>\$ 923,145</u>	<u>\$ 147,524</u>	<u>\$ 93,909</u>	<u>\$ 1,164,578</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts:				
From local sources:				
Property taxes	\$ 1,034,709	\$ 66,918		\$ 1,101,627
Income taxes	406,999			406,999
Tuition	760,847			760,847
Transportation fees	700			700
Earnings on investments	4,748		\$ 16	4,764
Charges for services			100,585	100,585
Extracurricular			50,749	50,749
Classroom materials and fees	21,958			21,958
Rental income	13,900			13,900
Contributions and donations			6,474	6,474
Other local revenue	33,478		2,268	35,746
Payments in lieu of taxes	16,633	562		17,195
Intergovernmental - Intermediate			5,744	5,744
Intergovernmental - State	1,860,765	19,958	11,136	1,891,859
Intergovernmental - Federal			479,416	479,416
Total receipts	4,154,737	87,438	656,388	4,898,563
Disbursements:				
Current:				
Instruction:				
Regular	2,387,686		30,237	2,417,923
Special	202,317		243,578	445,895
Vocational	46,611			46,611
Other	24,815		63,458	88,273
Support services:				
Pupil	182,961		1,568	184,529
Instructional staff	153,478		37,491	190,969
Board of education	14,659			14,659
Administration	453,671		360	454,031
Fiscal	181,367	1,025	14	182,406
Operations and maintenance	369,703	25,912	62,019	457,634
Pupil transportation	224,999	144,196	11,803	380,998
Central	65,460		9,573	75,033
Operation of non-instructional services:				
Food service operations			156,804	156,804
Extracurricular activities	128,529		53,535	182,064
Facilities acquisition and construction	144			144
Debt service:				
Principal retirement	16,346			16,346
Interest and fiscal charges	2,154			2,154
Total disbursements	4,454,900	171,133	670,440	5,296,473
Excess of disbursements over receipts	(300,163)	(83,695)	(14,052)	(397,910)
Other financing sources (uses):				
Advances in	22,290		22,290	44,580
Advances (out)	(22,290)		(22,290)	(44,580)
Total other financing sources (uses)				
Net change in fund balances	(300,163)	(83,695)	(14,052)	(397,910)
Fund balances at				
beginning of year (restated)	1,223,308	231,219	107,961	1,562,488
Fund balances at end of year	\$ 923,145	\$ 147,524	\$ 93,909	\$ 1,164,578

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Property taxes	\$ 1,105,000	\$ 1,105,000	\$ 1,034,709	\$ (70,291)
Income taxes	450,000	450,000	406,999	(43,001)
Tuition	780,000	780,000	760,847	(19,153)
Transportation fees	500	500	700	200
Earnings on investments	33,000	33,000	4,748	(28,252)
Classroom materials and fees	30,000	30,000	21,958	(8,042)
Rental income	10,000	10,000	13,900	3,900
Other local revenue	24,300	24,300	33,478	9,178
Payments in lieu of taxes			16,633	16,633
Intergovernmental - State	2,021,100	2,021,100	1,860,765	(160,335)
Total receipts	<u>4,453,900</u>	<u>4,453,900</u>	<u>4,154,737</u>	<u>(299,163)</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,531,408	2,531,408	2,392,435	138,973
Special	214,170	214,170	202,403	11,767
Vocational	49,321	49,321	46,611	2,710
Other	26,304	26,304	24,859	1,445
Support services:				
Pupil	194,105	194,105	183,441	10,664
Instructional staff	163,202	163,202	154,235	8,967
Board of education	15,511	15,511	14,659	852
Administration	485,003	485,003	458,356	26,647
Fiscal	193,329	193,329	182,707	10,622
Operations and maintenance	399,177	399,177	377,246	21,931
Pupil transportation	247,136	247,136	233,558	13,578
Central	69,266	69,266	65,460	3,806
Extracurricular activities	135,263	135,263	128,529	6,734
Facilities acquisition and construction	47,768	47,768	45,144	2,624
Debt Service:				
Principal	16,346	16,346	16,346	
Interest and fiscal charges	2,154	2,154	2,154	
Total disbursements	<u>4,789,463</u>	<u>4,789,463</u>	<u>4,528,143</u>	<u>261,320</u>
Excess of receipts over disbursements	<u>(335,563)</u>	<u>(335,563)</u>	<u>(373,406)</u>	<u>(37,843)</u>
Other financing sources (uses):				
Refund of prior year expenditure	10,000	10,000		(10,000)
Advances in			22,290	22,290
Advances (out)			(22,290)	(22,290)
Sale of capital assets	100	100		(100)
Total other financing sources (uses)	<u>10,100</u>	<u>10,100</u>	<u>-</u>	<u>(10,100)</u>
Net change in fund balance	(325,463)	(325,463)	(373,406)	(47,943)
Fund balance at beginning of year	1,110,996	1,110,996	1,110,996	
Prior year encumbrances appropriated	112,312	112,312	112,312	
Fund balance at end of year	<u>\$ 897,845</u>	<u>\$ 897,845</u>	<u>\$ 849,902</u>	<u>\$ (47,943)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2010

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,150	\$ 28,619
Net Assets:		
Held in trust for scholarships	\$ 4,150	
Held for student activities		\$ 28,619
Total net assets	\$ 4,150	\$ 28,619

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$ 4,150
 Deductions:	
Scholarships awarded	2,000
Change in net assets	2,150
Net cash assets at beginning of year	2,000
Net cash assets at end of year	\$ 4,150

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - REPORTING ENTITY

The Old Fort Local School District (the "District") is located in Seneca County and encompasses the towns of Old Fort and Fort Seneca. The District serves an area of approximately 49 square miles.

The District was established in 1841 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. 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 District currently operates 1 elementary school and 1 comprehensive middle/high school. The District employs 32 non-certified and 35 certified employees to provide services to 459 students in grades K through 12 and various community groups.

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

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

C. Other Organizations

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - REPORTING ENTITY - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the NOECA, which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Centers

The Vanguard-Sentinel Career Centers is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Career Centers at 1306 Cedar Street, Fremont, Ohio 43420.

Northwestern Ohio Educational Research Council, Inc. (NOERC)

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

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. The District paid \$20,987 during fiscal year 2010 for natural gas. Financial information is available from the North Point Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - REPORTING ENTITY - (Continued)

PUBLIC ENTITY RISK POOLS

North Central Ohio Joint Self-Insurance Association (Association)

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center and six local school districts - Tiffin, Old Fort, Bettsville, Seneca East, Mohawk and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 10.B. for further information on this public entity risk pool.

Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

GOVERNMENTAL FUNDS

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

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund - The permanent improvement capital projects fund is used to account for the accumulation of resources used for facility improvements other than those accounted for in other funds.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has one private-purpose trust fund. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds account for student activities and employee benefits.

C. Basis of Presentation

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparations of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Seneca County Budget Commission has waived the requirement to file a tax budget; however, an Alternative Tax Budget Information form is to be completed and filed with the County Budget Commission. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund object level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent temporary cash flow resources and are expected to be repaid.

1. Alternative Tax Budget Information

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The alternative tax budget information includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the board-adopted budget is filed with the County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

Estimated receipts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2010 and do not include the unencumbered fund balance as of July 1, 2009. However, those fund balances are available for appropriations.

3. Appropriations

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund level must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund level appropriation must be approved by the Board of Education.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. In the budgetary financial statements, encumbrances are included in budgetary expenditures. The budgetary fund balance is cash minus outstanding encumbrances.

5. Lapsing of Appropriations

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and object level.

E. Cash and Investments

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

During fiscal year 2010, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the fund from which the investment was made. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$4,748, which includes \$1,065 assigned from other funds.

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

An analysis of the District's investment account at year end is provided in Note 5.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

K. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

L. Net Assets

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

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

M. Interfund Activity

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

Interfund activity between governmental funds is eliminated in the statement of activities.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

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

B. Fund Reclassification and Restatement of Fund Cash Balance

Certain funds have been reclassified to properly reflect their intended purpose in accordance with reporting the cash-basis financial statements in a GASB 34-like format.

The fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund cash balance June 30, 2009	\$ 1,223,308	\$ 231,219	\$ 91,514	\$ 1,546,041
Fund reclassifications			16,447	16,447
Restated fund cash balance, June 30, 2009	\$ 1,223,308	\$ 231,219	\$ 107,961	\$ 1,562,488

The governmental activities net assets at June 30, 2009 equal the restated governmental fund cash balances at June 30, 2009.

The fund reclassifications had the following effect on the District's enterprise fund balances as previously reported:

	<u>Enterprise</u>
Fund cash balance June 30, 2009	\$ 16,447
Fund reclassifications	(16,447)
Restated fund cash balance, June 30, 2009	\$

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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 receipts, disbursements and changes in fund balance - budget and actual - budgetary basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$73,243 in the general fund.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from

**OLD FORT LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Fiscal Agent

At fiscal year end, the District had \$41 on deposit with a fiscal agent. This amount is not included in the total amount of deposits reported below. This amount is not part of the internal cash pool and is reported separately on the financial statements as “cash with fiscal agent”.

B. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$185,644. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, the District’s entire bank balance of \$231,524 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Cost</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$ 1,011,587</u>	<u>\$ 1,011,587</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAm money market rating. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Cost</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 1,011,587</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 185,644
Investments	1,011,587
Cash with fiscal agent	41
Cash on hand	<u>75</u>
Total	<u>\$ 1,197,347</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,164,578
Private-purpose trust funds	4,150
Agency funds	<u>28,619</u>
Total	<u>\$ 1,197,347</u>

NOTE 6 - INTERFUND TRANSACTIONS

The general fund and other nonmajor governmental funds have advanced in and out \$22,290 during the fiscal year.

The primary purpose of the advances is to cover costs in specific funds where revenues were not received by June 30. These advances were repaid once the anticipated revenues were received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

Advances between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - PROPERTY TAXES - (Continued)

received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 41,192,630	93.58	\$ 42,219,190	92.99
Public utility personal	<u>2,824,000</u>	<u>6.42</u>	<u>3,184,910</u>	<u>7.01</u>
Total	<u>\$ 44,016,630</u>	<u>100.00</u>	<u>\$ 45,404,100</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$46.30		\$46.30	

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of one percent (1.00%) for general operations on the income of residents and of estates. The tax was a five year levy effective on January 1, 2005. In November 2008, a five-year 1.00% income tax levy was renewed by voters of the District. The renewal income tax levy became effective on January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund. Total income tax revenue for fiscal year 2010 equaled \$406,999.

NOTE 9 - LONG-TERM OBLIGATIONS

- A. On June 12, 2000, the District obtained a line of credit with a maximum credit amount of \$471,000. The District will request amounts as needed for the implementation of school building energy conservation improvements under the guidelines of Ohio Amended House Bill 264 and Ohio Revised Code 133.06 and 3313.322. This line of credit bears a variable interest rate which was subject to adjustment on June 12, 2003 and every thirty-six months thereafter. The effective interest rate as of June 30, 2010, was 2.28 percent and matures June 12, 2015. The primary source of repayment of this note is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the general fund.

The following is a summary of the District's future annual debt service requirements to maturity for the general obligation debt:

	<u>Energy Conservation Loan</u>		
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 16,694	\$ 1,806	\$ 18,500
2012	17,080	1,420	18,500
2013	17,483	1,017	18,500
2014	17,891	609	18,500
2015	<u>15,233</u>	<u>191</u>	<u>15,424</u>
Total	<u>\$ 84,381</u>	<u>\$ 5,043</u>	<u>\$ 89,424</u>

- B. During fiscal year 2010, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2009	Additions	Reductions	Balance Outstanding June 30, 2010	Amounts Due in One Year
Governmental activities:					
Energy conservation loan	<u>\$ 100,727</u>	<u>\$</u>	<u>\$ (16,346)</u>	<u>\$ 84,381</u>	<u>\$ 16,694</u>

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$4,086,369 and an unvoted debt margin of \$45,404.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:			
Aggregate	Cincinnati Insurance	\$2,000,000	
Each occurrence	Cincinnati Insurance	1,000,000	
Fire damage	Cincinnati Insurance	100,000	
Medical expense	Cincinnati Insurance	5,000	
Excess liability:			
Each occurrence	Cincinnati Insurance	3,000,000	
Commercial Property:			
Building	Cincinnati Insurance	18,911,250	\$2,500
Business Personal Property	Cincinnati Insurance	595,224	2,500
Boiler and machinery	Cincinnati Insurance	500,000	500
Fleet:			
Comprehensive	Auto-Owners Insurance	Actual cash value	
Collision	Auto-Owners Insurance	Actual cash value	250

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the District has not materially reduced its coverage in the past year.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - RISK MANAGEMENT - (Continued)

B. Health Insurance

The District joined together with other area school districts to form the North Central Ohio Joint Self Insurance Association, a public entity risk pool for seven member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$250,000 for any employee.

C. Workers' Compensation

For fiscal year 2010, the District participated in the OASBO Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. 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 their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - PENSION PLANS - (Continued)

fiscal years ended June 30, 2010, 2009 and 2008 were \$88,187, \$58,767 and \$56,333, respectively; 47.84 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$256,514, \$234,649 and \$246,032, respectively; 82.97 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal years 2009 and 2008.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. 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 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$12,431, \$35,717 and \$33,929, respectively; 47.84 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$5,244, \$4,849 and \$4,059, respectively; 47.84 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting 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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$19,732, \$18,050 and \$18,926, respectively; 82.97 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

NOTE 13 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs 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 District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - STATUTORY RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purpose in future years.

The following cash basis information describes the change in the fund balance reserves for capital improvements during the fiscal year 2010.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2009	\$(179,556)	
Current year set-aside requirement	75,535	\$ 75,535
Current year offsets		(87,438)
Qualifying disbursements	<u>(60,292)</u>	<u> </u>
Total	<u><u>\$(164,313)</u></u>	<u><u>\$ (11,903)</u></u>
Cash balance carried forward to fiscal year 2011	<u><u>\$(164,313)</u></u>	<u><u>\$</u></u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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Dave Yost • Auditor of State

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

Old Fort Local School District
Seneca County
7635 North County Road 51
P.O. Box 64
Old Fort, Ohio 44861-0064

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Old Fort Local School District, Seneca County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2010, wherein we noted the District began preparing its statements on the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 12, 2011.

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

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



Dave Yost
Auditor of State

January 12, 2011

OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2010

FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Revised Code § 117.38 provides each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

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

The District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its statements in accordance with generally accepted accounting principles in the United States of America.

Officials' Response:

The District understands this requirement but feels there are no cost-benefits to reporting on the GAAP basis.

OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(A) for not filing GAAP financial statements.	No	Repeated as Finding 2010-001 in this report.



Dave Yost • Auditor of State

OLD FORT LOCAL SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 8, 2011