

FORT FRYE LOCAL SCHOOL DISTRICT
ANNUAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Wolfe, Wilson, & Phillips, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701



Dave Yost • Auditor of State

Board of Education
Fort Frye Local School District
500 Fifth Street
PO Box 1149
Beverly, OH 45715

We have reviewed the *Independent Auditors' Report* of the Fort Frye Local School District, Washington County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 24, 2014

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**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditors' Report.....	1
Management Discussion and Analysis.....	4
Government-wide Financial Statements:	
Statement of Nets Assets - Cash Basis.....	10
Statement of Activities - Cash Basis.....	11
Fund Financial Statements:	
Governmental Funds	
Statement of Cash Basis Assets and Fund Balances.....	12
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	14
Proprietary Funds	
Statement of Fund Net Assets - Cash Basis.....	15
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Net Assets - Cash Basis.....	16
Fiduciary Funds	
Statement of Fiduciary Net Assets.....	17
Notes to the Financial Statements.....	18
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards.....	37
Independents Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	39
Schedule of Findings and Questioned Costs.....	41
Schedule of Federal Awards.....	43
Notes to Schedule of Federal Awards.....	44
Schedule of Prior Audit Findings.....	45
Independent Accountants Report on Applying Agreed-Upon Procedure.....	46

**WOLFE, WILSON, & PHILLIPS, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Board of Education
Fort Frye Local School District
Beverly, Ohio 45715

To The Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Frye Local School District, Washington County, Ohio (The District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Frye Local School District as of June 30, 2013, and the respective changes in cash and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 3, for fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

Other Matters

Supplementary and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements. *Management's Discussion and Analysis*, includes tables of net assets, changes in net assets and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in *Management's Discussion & Analysis*, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2013, on our consideration of Fort Frye Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Fort Frye Local School District

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Fort Frye Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

The discussion and analysis of the Fort Frye Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2013 are as follows:

- Net position of governmental activities increased \$1,309,190.
- General receipts amounted to \$9,683,500 or 82% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$2,100,886 or 18% of total receipts of \$11,784,386.
- The School District had \$10,475,196 in disbursements related to governmental activities; only \$2,100,886 of these disbursements were offset by program specific charges for services and sales, grants, contributions, and interest. General receipts of \$9,683,500 were adequate to provide for these programs.
- The School District's major funds were the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund's balance increased \$694,134. The Permanent Improvement Fund's balance increased \$401,731.

Using this Annual Financial Report

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

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Reporting the School District as a Whole

Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2013?” The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the School District’s net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, all of the School District’s programs and services are reported as governmental activities including food service operations, instruction, support services, operation of non-instructional services, capital outlay, and extracurricular activities.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 9. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

Governmental Funds Most of the School 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 fiscal year end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
 Unaudited

The School District as a Whole

Recall that the Statement of Net Position – Cash Basis provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1
 Net Position - Cash Basis

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$7,038,373</u>	<u>\$5,729,183</u>	<u>\$1,309,190</u>
Net Position			
Restricted	\$3,536,655	\$3,173,169	\$363,486
Unrestricted	<u>3,501,718</u>	<u>2,556,014</u>	<u>945,704</u>
Total Net Position	<u>\$7,038,373</u>	<u>\$5,729,183</u>	<u>\$1,309,190</u>

The above table reflects an increase in net position of \$1,309,190. The predominant factors for the increase in net position are due to an increase in property taxes of \$175,441 and decreases in regular instruction and pupil transportation of \$431,341 and \$191,471 respectfully.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013, compared to fiscal year ended June 30, 2012.

Fort Frye Local School District, Ohio*Management's Discussion and Analysis**For the Fiscal Year Ended June 30, 2013*

Unaudited

Table 2
Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Receipts			
Program Receipts:			
Charges for Services and Sales	\$966,680	\$949,197	\$17,483
Operating Grants, Contributions and Interest	1,134,206	1,150,695	(16,489)
Total Program Receipts	<u>2,100,886</u>	<u>2,099,892</u>	<u>994</u>
General Receipts:			
Property Taxes	4,386,866	4,211,425	175,441
Payments in Lieu of Taxes	732,636	1,098,954	(366,318)
Grants and Entitlements	4,511,307	4,541,045	(29,738)
Investment Earnings	17,776	27,612	(9,836)
Receipts from Sale of Capital Assets	244	4,704	(4,460)
Gifts and Donations	0	3,750	(3,750)
Miscellaneous	34,671	43,732	(9,061)
Total General Receipts	<u>9,683,500</u>	<u>9,931,222</u>	<u>(247,722)</u>
Total Receipts	<u>11,784,386</u>	<u>12,031,114</u>	<u>(246,728)</u>
Program Disbursements			
Instruction:			
Regular	4,296,088	4,727,429	(431,341)
Special	1,214,082	1,181,044	33,038
Vocational	212,863	292,049	(79,186)
Support Services:			
Pupils	303,442	282,869	20,573
Instructional Staff	637,648	622,884	14,764
Board of Education	27,815	46,408	(18,593)
Administration	797,371	921,883	(124,512)
Fiscal	382,684	452,830	(70,146)
Operation and Maintenance of Plant	865,207	922,819	(57,612)
Pupil Transportation	693,904	885,375	(191,471)
Central	54,532	51,164	3,368
Operation of Non-Instructional Services:			
Food Service Operations	456,216	421,356	34,860
Other	83,783	131,888	(48,105)
Extracurricular Activities	220,594	256,756	(36,162)
Capital Outlay	228,967	120,529	108,438
Total Disbursements	<u>10,475,196</u>	<u>11,317,283</u>	<u>(842,087)</u>
Change in Net Position	1,309,190	713,831	595,359
Net Position Beginning of Year	5,729,183	5,015,352	713,831
Net Position End of Year	<u>\$7,038,373</u>	<u>\$5,729,183</u>	<u>\$1,309,190</u>

Fort Frye Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately one-third of the receipts for governmental activities for the Fort Frye Local School District in fiscal year 2013.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2013 compared to fiscal year 2012. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	<u>Total Cost</u> <u>of Services</u> <u>2013</u>	<u>Net Cost</u> <u>of Services</u> <u>2013</u>	<u>Total Cost</u> <u>of Services</u> <u>2012</u>	<u>Net Cost</u> <u>of Services</u> <u>2012</u>
Program Disbursements				
Instruction:				
Regular	\$4,296,088	\$3,584,888	\$4,727,429	\$4,023,933
Special	1,214,082	825,053	1,181,044	871,123
Vocational	212,863	190,108	292,049	261,897
Support Services:				
Pupils	303,442	301,424	282,869	280,535
Instructional Staff	637,648	498,107	622,884	420,255
Board of Education	27,815	27,815	46,408	46,408
Administration	797,371	787,720	921,883	896,310
Fiscal	382,684	382,684	452,830	452,830
Operation and Maintenance of Plant	865,207	857,914	922,819	915,845
Pupil Transportation	693,904	673,674	885,375	857,429
Central	54,532	45,341	51,164	47,020
Operation of Non-Instructional Services				
Food Service	456,216	(74,249)	421,356	(78,436)
Other	83,783	(16,690)	131,888	11,011
Extracurricular Activities	220,594	61,554	256,756	90,702
Capital Outlay	228,967	228,967	120,529	120,529
Total	<u>\$10,475,196</u>	<u>\$8,374,310</u>	<u>\$11,317,283</u>	<u>\$9,217,391</u>

The dependence upon tax receipts and state subsidies for governmental activities is apparent. For fiscal year 2013, approximately 80% of instructional activities were supported through taxes and other general receipts.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

As the table shows, the School District did not receive enough in charges for services and/or operating grants and contributions to support any programs in fiscal year 2013, except the non-instructional services. That is, those programs were not currently self-supporting

The School District Funds

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$11,784,142 and disbursements of \$10,620,941. The Permanent Improvement Fund had an increase in fund balance of \$401,731 primarily due to the School District recording payments in lieu of taxes in that Fund instead of the General Fund for fiscal year 2013.

General Fund Budgeting Highlights

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

During the course of 2013, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis receipts were \$9,628,368, above the final estimates of \$9,584,144. Original estimates of \$9,274,882 were increased \$309,262 due to the result of underestimating property taxes. Final expenditures of \$9,023,890 were \$884,745 below the final appropriations of \$9,908,635. Original appropriations were increased \$83,750.

The School District's ending unobligated General Fund balance was \$1,794,770.

Current Issues

The School District's five year financial forecast continues to improve due to the tax abatement agreement with Duke Energy, which expired at the end of calendar year 2013. The taxpayer will start to pay public utility personal property taxes which are estimated to be higher than the payment in lieu amount that the School District has been receiving for ten years. This positive news is offset by AEP's decision to close a majority of the Muskingum River coal fired power plant by 2015. Negotiated agreements with both union bodies will be renegotiated this spring. Continued monitoring and scrutiny throughout the forecast period will be necessary as the balance between solvency and fiscal emergency can be effected by the current funding mechanism for schools, coupled with costly issues with maintaining aging buildings.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Stacy Bolden, Treasurer at Fort Frye Local School District, PO Box 1149, Beverly, Ohio 45715, or E-Mail at ff_sbolden@seovec.org.

Fort Frye Local School District, Ohio

Statement of Net Position - Cash Basis

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$7,038,373</u>
Net Position	
Restricted for:	
Capital Projects	\$3,259,573
Unclaimed Monies	178
Other Purposes	276,904
Unrestricted	<u>3,501,718</u>
<i>Total Net Position</i>	<u>\$7,038,373</u>

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2013

	Program Cash Receipts			Net Disbursements and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$4,296,088	\$624,664	\$86,536	(\$3,584,888)
Special	1,214,082	0	389,029	(825,053)
Vocational	212,863	0	22,755	(190,108)
Support Services:				
Pupils	303,442	1,737	281	(301,424)
Instructional Staff	637,648	0	139,541	(498,107)
Board of Education	27,815	0	0	(27,815)
Administration	797,371	0	9,651	(787,720)
Fiscal	382,684	0	0	(382,684)
Operation and Maintenance of Plant	865,207	7,293	0	(857,914)
Pupil Transportation	693,904	0	20,230	(673,674)
Central	54,532	1,302	7,889	(45,341)
Operation of Non-Instructional Services:				
Food Service Operations	456,216	172,746	357,719	74,249
Other	83,783	0	100,473	16,690
Extracurricular Activities	220,594	158,938	102	(61,554)
Capital Outlay	228,967	0	0	(228,967)
<i>Totals</i>	<u>\$10,475,196</u>	<u>\$966,680</u>	<u>\$1,134,206</u>	<u>(8,374,310)</u>
General Receipts				
Property Taxes Levied for General Purposes				4,386,866
Payments in Lieu of Taxes				732,636
Grants and Entitlements not Restricted to Specific Programs				4,511,307
Investment Earnings				17,776
Receipts from Sale of Capital Assets				244
Miscellaneous				34,671
<i>Total General Receipts</i>				9,683,500
<i>Change in Net Position</i>				1,309,190
<i>Net Position Beginning of Year</i>				<u>5,729,183</u>
<i>Net Position End of Year</i>				<u>\$7,038,373</u>

See accompanying notes to the financial statements

Fort Frye Local School District, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2013

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,736,322	\$3,259,573	\$276,904	\$5,272,799
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	178	0	0	178
<i>Total Assets</i>	<u>\$1,736,500</u>	<u>\$3,259,573</u>	<u>\$276,904</u>	<u>\$5,272,977</u>
Fund Balances				
Nonspendable	\$178	\$0	\$0	\$178
Restricted	0	3,259,573	276,904	3,536,477
Assigned	220,992	0	0	220,992
Unassigned	1,515,330	0	0	1,515,330
<i>Total Fund Balances</i>	<u>\$1,736,500</u>	<u>\$3,259,573</u>	<u>\$276,904</u>	<u>5,272,977</u>

Amounts reported for governmental activities in the statement of net position are different because:

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal fund are included in governmental activities in the statement of net position.

1,765,396

Net Position of Governmental Activities

\$7,038,373

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$4,386,866	\$0	\$0	\$4,386,866
Payments in Lieu of Taxes	0	732,636	0	732,636
Intergovernmental	4,530,693	0	1,110,206	5,640,899
Investment Earnings	17,776	0	0	17,776
Charges for Services	0	0	172,746	172,746
Tuition and Fees	612,849	0	0	612,849
Extracurricular Activities	45,579	0	128,213	173,792
Rent	7,293	0	0	7,293
Gifts and Donations	2,514	0	2,100	4,614
Miscellaneous	28,370	0	6,301	34,671
<i>Total Receipts</i>	<u>9,631,940</u>	<u>732,636</u>	<u>1,419,566</u>	<u>11,784,142</u>
Disbursements				
Current:				
Instruction:				
Regular	4,172,033	108,115	70,560	4,350,708
Special	843,852	0	386,818	1,230,670
Vocational	216,070	0	0	216,070
Support Services:				
Pupils	309,373	0	0	309,373
Instructional Staff	513,734	0	138,444	652,178
Board of Education	27,815	0	0	27,815
Administration	798,941	4,618	9,596	813,155
Fiscal	386,323	0	0	386,323
Operation and Maintenance of Plant	876,158	0	0	876,158
Pupil Transportation	683,207	4,203	19,086	706,496
Central	47,332	0	7,200	54,532
Operation of Non-Instructional Services	0	0	547,902	547,902
Extracurricular Activities	105,355	0	115,239	220,594
Capital Outlay	0	213,969	14,998	228,967
<i>Total Disbursements</i>	<u>8,980,193</u>	<u>330,905</u>	<u>1,309,843</u>	<u>10,620,941</u>
<i>Excess of Receipts Over Disbursements</i>	<u>651,747</u>	<u>401,731</u>	<u>109,723</u>	<u>1,163,201</u>
Other Financing Sources (Uses)				
Advances In	144,128	0	101,985	246,113
Advances Out	(101,985)	0	(144,128)	(246,113)
Sale of Capital Assets	244	0	0	244
<i>Total Other Financing Sources (Uses)</i>	<u>42,387</u>	<u>0</u>	<u>(42,143)</u>	<u>244</u>
<i>Net Change in Fund Balance</i>	694,134	401,731	67,580	1,163,445
<i>Fund Balances Beginning of Year</i>	<u>1,042,366</u>	<u>2,857,842</u>	<u>209,324</u>	<u>4,109,532</u>
<i>Fund Balances End of Year</i>	<u>\$1,736,500</u>	<u>\$3,259,573</u>	<u>\$276,904</u>	<u>\$5,272,977</u>

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

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

145,745

Change in Net Position of Governmental Activities

\$1,309,190

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio
*Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Taxes	\$4,211,888	\$4,516,150	\$4,386,866	(\$129,284)
Intergovernmental	4,406,586	4,406,586	4,527,101	120,515
Investment Earnings	21,850	21,850	17,927	(3,923)
Tuition and Fees	565,258	565,258	612,849	47,591
Extracurricular Activities	47,400	52,400	45,579	(6,821)
Rent	6,500	6,500	7,293	793
Gifts and Donations	6,600	6,600	2,514	(4,086)
Miscellaneous	8,800	8,800	28,239	19,439
<i>Total Receipts</i>	9,274,882	9,584,144	9,628,368	44,224
Disbursements				
Current:				
Instruction:				
Regular	4,546,403	4,559,333	4,174,866	384,467
Special	878,983	878,483	843,852	34,631
Vocational	226,336	226,336	216,119	10,217
Support Services:				
Pupils	376,970	379,970	309,373	70,597
Instructional Staff	478,960	508,360	520,143	(11,783)
Board of Education	44,980	43,480	29,315	14,165
Administration	959,229	958,279	798,941	159,338
Fiscal	415,497	415,497	386,323	29,174
Operation and Maintenance of Plant	930,593	936,593	879,132	57,461
Pupil Transportation	771,289	773,289	683,207	90,082
Central	43,250	76,620	77,264	(644)
Extracurricular Activities	152,395	152,395	105,355	47,040
<i>Total Disbursements</i>	9,824,885	9,908,635	9,023,890	884,745
<i>Excess of Receipts Over (Under) Disbursements</i>	(550,003)	(324,491)	604,478	928,969
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	5,000	5,000	244	(4,756)
Refund of Prior Year Expenditures	20,000	20,000	3,723	(16,277)
Advances In	15,000	15,000	25,487	10,487
Other Financing Uses	(67,361)	(1,011)	0	1,011
<i>Total Other Financing Sources (Uses)</i>	(27,361)	38,989	29,454	(9,535)
<i>Net Change in Fund Balance</i>	(577,364)	(285,502)	633,932	919,434
<i>Fund Balance Beginning of Year</i>	1,152,677	1,152,677	1,152,677	0
Prior Year Encumbrances Appropriated	8,161	8,161	8,161	0
<i>Fund Balance End of Year</i>	\$583,474	\$875,336	\$1,794,770	\$919,434

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio
Statement of Fund Net Position - Cash Basis
Internal Service Fund
June 30, 2013

	Medical Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,765,396</u>
Net Position	
Unrestricted	<u>\$1,765,396</u>

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio
Statement of Cash Receipts, Cash
Disbursements and Changes in Fund Net Position - Cash Basis
Internal Service Fund
For the Fiscal Year Ended June 30, 2013

	Medical Insurance
Operating Receipts	
Charges for Services	\$1,470,032
Operating Disbursements	
Purchased Services	353,351
Claims	970,936
<i>Total Operating Disbursements</i>	1,324,287
<i>Change in Net Position</i>	145,745
<i>Net Position Beginning of Year</i>	1,619,651
<i>Net Position End of Year</i>	\$1,765,396

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio

Statement of Net Position - Cash Basis

Agency Fund

June 30, 2013

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$43,955</u>
Net Position	
Restricted for Students	<u>\$43,955</u>

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 - Description of the School District and Reporting Entity

Fort Frye Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's 5 instructional/support facilities staffed by 62 classified employees and 85 certified personnel, who provide services to 996 students and other community members.

Reporting Entity

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

Parochial School - Within the School District boundaries, St. John Central Elementary School is operated through the Steubenville Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Chief Fiscal Officer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District participates in three jointly governed organizations and two insurance purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund(s) is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services, if any. The School District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self balancing set of accounts. The School District classifies each fund as either governmental, proprietary, or fiduciary.

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred to the general laws of Ohio.

Permanent Improvement Fund This fund accounts for the acquisition, construction, or improvement of capital facilities of governmental activities.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination the changes in net position and financial position. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for health claims.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. The School District's agency fund accounts for student activities and assets held by the School District as an agent for outside activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash, Cash Equivalents, and Investments

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

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

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2013 was \$17,776, including \$13,226 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unclaimed monies.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-term Obligations

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

M. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and local and state grants restricted to cash disbursement for specified purposes.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available

N. Fund Balance

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

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

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

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

O. Internal Transactions

Transfers within governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts 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 and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

P. Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. During fiscal year 2013, the School District did not have activity that met the definition of a special item.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 3 - Change in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements;" Statement No. 61, "The Financial Reporting Entity: Omnibus;" Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements;" Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;" Statement No. 65, "Items Previously Reported as Assets and Liabilities;" and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

Note 4 - Fund Balances

Fund balance is classified as nonspendable, restricted, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Fund Balances	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total
Nonspendable:				
Unclaimed Monies	\$178	\$0	\$0	\$178
Restricted for:				
State Grant Expenditures	0	0	62,730	62,730
Local Grant Expenditures	0	0	1,037	1,037
Food Service Operations	0	0	170,049	170,049
Capital Improvements	0	3,259,573	0	3,259,573
Athletic Programs	0	0	43,088	43,088
<i>Total Restricted</i>	<u>0</u>	<u>3,259,573</u>	<u>276,904</u>	<u>3,536,477</u>
Assigned to:				
Encumbrances	43,697	0	0	43,697
Public School Support	24,481	0	0	24,481
Fiscal Year 2014 Appropriations	152,814	0	0	152,814
<i>Total Assigned</i>	<u>220,992</u>	<u>0</u>	<u>0</u>	<u>220,992</u>
Unassigned:	<u>1,515,330</u>	<u>0</u>	<u>0</u>	<u>1,515,330</u>
<i>Total Fund Balances</i>	<u>\$1,736,500</u>	<u>\$3,259,573</u>	<u>\$276,904</u>	<u>\$5,272,977</u>

Note 5 - 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 Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and cash basis are as follows:

1. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (cash).
2. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (cash).
3. Unrecorded interest is reported on the balance sheet (cash), but not on the budgetary basis.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balance

Cash Basis	\$694,134
Unreported Items - Beginning of Fiscal Year	169
Unreported Items - End of Fiscal Year	(18)
Advance In	(118,641)
Advance Out	101,985
Encumbrances	<u>(43,697)</u>
Budget Basis	<u><u>\$633,932</u></u>

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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;

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bank acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,556,580 of the School District's bank balance of \$7,184,381 was exposed to custodial credit risk because it was uninsured and collateralized in a collateral pool. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2013, the School District had no investments.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The School District receives property taxes from Washington, Morgan, and Noble Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$69,904,310	48.92%	\$71,484,690	48.85%
Commerical/Industrial and Public Utility Real	20,325,220	14.23%	20,262,170	13.85%
Public Utility Personal	52,643,360	36.85%	54,579,580	37.30%
	\$142,872,890	100.00%	\$146,326,440	100.00%
Tax Rate per \$1,000 of assessed valuation		\$42.82		\$42.82

Note 8 - Significant Commitments

A. Contractual Commitments

As of June 30, 2013, the School District had a contractual purchase commitment as follows:

	Purchase Commitments	Amounts Paid as of 6/30/2013	Amount Remaining on Contract
Gym Renovations:			
Permanent Improvement Capital Projects Fund	\$225,259	\$14,424	\$210,835

B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$43,697
Permanent Improvement Capital Projects Fund	399,783
Nonmajor Funds	30,546
Total	\$474,026

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 9 - Interfund Balances

Unpaid interfund cash advances at June 30, 2013, were as follows:

	Receivables	Payables
General Fund	\$137,959	\$0
Special Revenue Funds:		
Food Service	0	20,973
Other Local Funds	0	1,000
State Grants	0	14,001
Federal Grants	0	101,985
Total Special Revenue Funds	0	137,959
Total All Funds	\$137,959	\$137,959

The payables to the General Fund are due to cash deficits and from lags between the dates the interfund service was provided and when the transactions were recorded in the accounting system and when payments between funds were made.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 17). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$34,347,749
Crime (\$1,000 deductible):	
Employee Theft	100,000
Forgery or Alteration	100,000
Inside Premises	25,000
Outside Premises	25,000
Liability:	
Bodily Injury and Property Damage	6,000,000
Personal and Advertising Injury	6,000,000
General Aggregate Limit	8,000,000
Completed Operations Aggregate Limit	6,000,000
Employers' - Stop Gap - Bodily Injury	6,000,000
Educational Legal - Errors and Omissions (\$2,500 deductible):	
Injury Limit	6,000,000
Aggregate Limit	8,000,000

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Automobile Liability:	
Liability	\$6,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000
Deductibles:	
Comprehensive	250
Collision	5,000

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

B. Workers' Compensation

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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.

C. Employee Benefits

Health insurance is offered to employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$230,900, which is based on an estimate provided by the third party administrator, includes unpaid claim costs and estimates of costs relating to incurred but not reported claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. A comparison of self-insurance fund cash and investments to the actuarially-measured liability as of June 30 follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2012	\$42,732	1,178,329	1,030,252	\$190,809
2013	190,809	970,936	930,845	230,900

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Educational Council in the amount of \$25,000 for its employees.

Dental coverage is provided through Coresource. Premiums for this coverage are \$54.67 monthly for family and \$20.25 for single coverage.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$178,510, \$178,764, and \$159,270, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to 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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$486,133 and \$9,865 for the fiscal year ended June 30, 2013, \$552,814 and \$8,330 for the fiscal year ended June 30, 2012, and \$577,141 and \$0 for the fiscal year ended June 30, 2011. For fiscal year 2013, 82.96 percent has been contributed for the DB plan and 82.96 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$1,399 made by the School District and \$1,000 made by the plan members. In addition, member contributions of \$7,047 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, there are no employees who have elected Social Security.

Note 12 - Postemployment Benefits

A. School Employees Retirement System

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

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$24,904, \$27,447, and \$39,547, respectively. For fiscal year 2013, 8.75 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$10,084, \$10,557, and \$10,249, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$38,261, \$43,249, and \$44,504, respectively. For fiscal year 2013, 82.96 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Note 13 - Long-Term Debt

Currently, the School District has no outstanding debt.

The overall debt margin of the School District as of June 30, 2013, was \$13,165,914, with an unvoted debt margin of \$146,288.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 14 - Set-Aside Calculations

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

The following cash basis information describes the change in the fiscal year end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements
Set-aside Balance as of June 30, 2012	\$106,003
Current Year Set-aside Requirement	176,333
Offsetting Credits	(732,636)
Qualifying Disbursements	(27,709)
Total	(\$478,009)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

Note 15 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The School District is currently not a party to any legal proceedings.

Note 16 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium 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. SEOVEC has 28 participants consisting of school districts in seven southeastern Ohio counties.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2013, the School District paid \$61,550 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

B. Washington County Career Center

The Washington County Career Center, a joint vocational school, 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 six participating school districts' elected boards and one representative from the Ohio Valley Educational Service Center's Board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Career Center, Joe Crone, Treasurer, at 21740 SR 676, Marietta, Ohio 45750.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2013. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 17 - Insurance Purchasing Pool

A. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a thirteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, The President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

Note 18 – Noncompliance

Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(B) provides that the District shall prepare its annual financial statement in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District can be fined and various other administrative remedies for its failure to file the required financial report

WOLFE, WILSON, & PHILLIPS, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701

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

Board of Education
Fort Frye Local School District
Beverly, Ohio 45715

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Frye Local School District, Washington County as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2013, wherein we noted the District has not prepared financial statements in accordance with accounting principles generally accepted in the United States of America. We also noted the District adopted GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" and GASB Statement No. 66, "Technical Corrections-2012".

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Frye Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2013-01.

Purpose of this Report

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 23, 2013

**WOLFE, WILSON, & PHILLIPS, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Education
Fort Frye Local School District
Beverly, Ohio 45715

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Fort Frye Local School District's compliance with the applicable requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could directly and materially affect each of the Fort Frye Local School District's major federal programs for the year ended June 30, 2013. The Summary of Audit Results in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The Fort Frye Local School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Fort Frye Local School District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major program occurred. An audit includes examining, on a test basis, evidence about the Fort Frye Local School District's compliance with these requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination on the Fort Frye Local School District's compliance.

Opinion

In our opinion, the Fort Frye Local School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The Fort Frye Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Fort Frye Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Fort Frye Local School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 3, 2013

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505**

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Title 1 Cluster; CFDA #84.010,84.389
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

FINDING NUMBER 2013-01

Noncompliance Citation

Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(B) provides that the District shall prepare its annual financial statement in accordance with accounting principles generally accepted in the United States of America.

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505**

**2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS
FINDING 2013-01 (Continued)**

Noncompliance Citation (Continued)

However, the District prepares its financial statements in accordance with standards established by the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District can be fined and various other administrative remedies for its failure to file the required financial report.

We recommend the District take the necessary steps to ensure that the annual financial report is prepared and filed pursuant to generally accepted accounting principles.

Client Response: The District does not believe the benefits associated with filing GAAP statements outweigh the costs associated with preparing them.

3. Findings and Questioned Costs for Federal Awards

NONE

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	\$ 125,957	\$ -	\$ 125,957	\$ -
National School Lunch Program	n/a	10.555	225,549	43,166	225,549	43,166
Total Nutrition Cluster			351,506	43,166	351,506	43,166
Total U.S. Department of Agriculture			351,506	43,166	351,506	43,166
<u>U.S. DEPARTMENT OF EDUCATION:</u>						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	050484C1S112	84.010	115,370	-	64,269	-
	050484C1S113		215,952	-	245,588	-
			331,322	-	309,857	-
Title VI-B Special Education Assistance for handicapped Children	050484BSF12	84.027	77,803	-	27,510	-
	050484BSF13		144,223	-	201,893	-
			222,026	-	229,403	-
Technology Literacy Challenge	050484TJS112	84.318	702	-	639	-
			702	-	639	-
Improving Teacher Quality State Grant	050484TRS12	84.367	15,053	-	9,894	-
	050484TRS13		62,980	-	78,218	-
			78,033	-	88,112	-
Education Jobs Program	50484FY12	84.410	28,139	-	-	-
			28,139	-	-	-
Rural Education	50484FY12	84.358	1,795	-	559	-
			1,795	-	559	-
Total U.S. Department of Education			662,017	-	628,570	-
Total Federal Awards Expenditures			1,013,523	43,166	980,076	43,166

See notes to Schedule of Federal Awards Expenditures.

**FORT FRYE LOCAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTES B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require the District contribute non-Federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-01	ORC 117.38 and OAC 117-02-03(B) Filed on basis prescribed by AOS, not GAAP	No	Not Corrected: Reported again as finding 2013-01

**WOLFE, WILSON, & PHILLIPS, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON
PROCEDURES**

Board of Education
Fort Frye Local School District
Beverly, Ohio 45715

To The Board of Education

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on August 16, 2012 to include prohibiting harassment, intimidation, or bullying of any student “on a school bus” or by “electronic act”.

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

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 23, 2013

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Dave Yost • Auditor of State

FORT FRYE LOCAL SCHOOL DISTRICT

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2014**