



Dave Yost • Auditor of State



**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Fostoria City School District  
Seneca County  
1001 Park Avenue  
Fostoria, Ohio 44830-1455

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 Fostoria City School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2014, 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 accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the 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 Fostoria City School District, Seneca County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the 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 § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. 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.

**Other Matters**

*Supplemental 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 position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Awards Receipts and Expenditures Schedule (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 basic financial statements.

These tables and the Schedule are management's responsibility, and derive 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 and 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 our report dated February 11, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 11, 2015

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**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

The discussion and analysis of Fostoria City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Highlights**

Highlights for fiscal year 2014 are as follows:

In total, net position decreased \$201,135, or 6 percent, and primarily due to cash carryover spending and the timing of federal grant receipts.

General revenues were \$22,011,055, or 83 percent of total revenues, and reflect the District's significant dependence on property taxes and unrestricted State entitlements.

**Using the Basic Financial Statements**

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

The District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

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

The statement of net position and the statement of activities provide information about the cash activities of the whole District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other nonmajor funds presented in total in a single column. For Fostoria City School District, the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund are the most significant funds.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

**Reporting the District as a Whole**

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may also include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, all of the District's activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service disbursements.

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

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

Governmental Funds - All of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2014 and fiscal year 2013:

Table 1  
Net Position

	Governmental Activities		
	2014	2013	Change
<u>Assets:</u>			
Assets	\$3,190,708	\$3,391,843	(\$201,135)
<u>Net Position:</u>			
Restricted	\$2,318,022	\$2,034,138	\$283,884
Unrestricted	872,686	1,357,705	(485,019)
Total Net Position	\$3,190,708	\$3,391,843	(\$201,135)

Cash carryover spending in the General Fund and the Permanent Improvement Fund combined with the timing of receipts for federal grants led to an overall decrease in net position of 6 percent.

Table 2 reflects the changes in net position for fiscal year 2014 and fiscal year 2013.

Table 2  
Changes in Net Position

	Governmental Activities		
	2014	2013	Change
<u>Receipts:</u>			
Program Receipts			
Charges for Services	\$526,809	\$621,668	(\$94,859)
Operating Grants, Contributions, and Interest	3,972,089	3,117,064	855,025
Capital Grants, Contributions, and Interest	0	1,131	(1,131)
Total Program Receipts	4,498,898	3,739,863	759,035
General Receipts			
Property Taxes Levied for General Purposes	6,239,840	6,307,930	(68,090)
Property Taxes Levied for Debt Service	902,440	490,245	412,195
Property Taxes Levied for Permanent Improvements	198,344	184,714	13,630
Payment in Lieu of Taxes	40,000	40,000	0
Grants and Entitlements	12,199,162	12,595,401	(396,239)
Interest	26,919	27,367	(448)
Gifts and Donations	6,951	0	6,951
Miscellaneous	144,387	285,884	(141,497)

(continued)

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

Table 2  
Changes in Net Position  
(continued)

	Governmental Activities		
	2014	2013	Change
<u>Receipts:</u> (continued)			
General Receipts (continued)			
Sale of Capital Assets	\$0	\$5,798	(\$5,798)
General Obligation Bonds Issued	2,190,000	0	2,190,000
Premium on Bonds Issued	63,012	0	63,012
Total General Receipts	<u>22,011,055</u>	<u>19,937,339</u>	<u>2,073,716</u>
Total Receipts	<u>26,509,953</u>	<u>23,677,202</u>	<u>2,832,751</u>
<u>Disbursements:</u>			
Instruction:			
Regular	10,742,997	11,174,016	431,019
Special	3,029,478	2,612,126	(417,352)
Vocational	227,390	202,586	(24,804)
Adult/Continuing	61,247	77,656	16,409
Support Services:			
Pupils	1,073,177	1,102,108	28,931
Instructional Staff	1,131,864	2,035,805	903,941
Board of Education	27,994	39,451	11,457
Administration	1,675,167	1,740,765	65,598
Fiscal	578,388	718,744	140,356
Business	104,386	95,415	(8,971)
Operation and Maintenance of Plant	1,976,211	2,248,941	272,730
Pupil Transportation	869,871	896,867	26,996
Central	66,684	67,468	784
Non-Instructional Services	1,224,658	1,227,796	3,138
Extracurricular Activities	434,458	469,738	35,280
Capital Outlay	386,176	594,513	208,337
Debt Service:			
Principal Retirement	2,271,227	94,310	(2,176,917)
Interest and Fiscal Charges	165,942	102,930	(63,012)
Interest on Capital Appreciation Bonds	663,773	650,690	(13,083)
Total Disbursements	<u>26,711,088</u>	<u>26,151,925</u>	<u>(559,163)</u>
Decrease in Net Position	<u>(201,135)</u>	<u>(2,474,723)</u>	<u>2,273,588</u>
Net Position at Beginning of Year	<u>3,391,843</u>	<u>5,866,566</u>	<u>(2,474,723)</u>
Net Position at End of Year	<u>\$3,190,708</u>	<u>\$3,391,843</u>	<u>(\$201,135)</u>

There was a 20 percent increase in program receipts from the prior fiscal year primarily due to an increase in restricted State funding (operating grants, contributions, and interest). The decrease in charges for services was due to a reduction in restricted extracurricular receipts.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

There was a substantial increase in general revenues primarily due to the issuance of general obligation bonds. Bonds were issued, at a lower interest rate, to retire previously issued bonds. There was also an increase in property tax receipts related to debt service as the County adjusted the tax rate relative to the debt service requirements.

The overall change in disbursements was not significant; however, there were a few changes to note. The increase in special instruction costs is the result of payments to other school districts for special needs students. There was also a substantial increase in principal retirement due to the refunding of previously issued bonds with the proceeds of the new bond issue. Also note there were decreases in many programs from the prior fiscal year, some of which were significant. These decreases were due to staff reductions and a reduction in capital spending in an effort to maintain satisfactory year end fund balances.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction:				
Regular	\$10,742,997	\$11,174,016	\$9,435,742	\$10,324,964
Special	3,029,478	2,612,126	1,409,528	2,345,604
Vocational	227,390	202,586	163,696	202,586
Adult/Continuing	61,247	77,656	(20,548)	(41,855)
Support Services:				
Pupils	1,073,177	1,102,108	969,043	965,298
Instructional Staff	1,131,864	2,035,805	1,131,864	1,220,981
Board of Education	27,994	39,451	27,994	39,451
Administration	1,675,167	1,740,765	1,675,167	1,675,607
Fiscal	578,388	718,744	578,388	718,744
Business	104,386	95,415	104,386	90,222
Operation and Maintenance of Plant	1,976,211	2,248,941	1,976,211	2,221,262
Pupil Transportation	869,871	896,867	807,868	873,776
Central	66,684	67,468	66,684	67,468
Non-Instructional Services	1,224,658	1,227,796	26,816	(76,364)
Extracurricular Activities	434,458	469,738	372,233	343,006
Capital Outlay	386,176	594,513	386,176	593,382
Debt Service:				
Principal Retirement	2,271,227	94,310	2,271,227	94,310
Interest and Fiscal Charges	165,942	102,930	165,942	102,930
Interest on Capital Appreciation Bonds	663,773	650,690	663,773	650,690
Total Disbursements	<u>\$26,711,088</u>	<u>\$26,151,925</u>	<u>\$22,212,190</u>	<u>\$22,412,062</u>

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

Over 83 percent of the District's programs were provided for through general receipts in fiscal year 2014. However, note there were a couple of programs which received substantial support through program receipts. Over 53 percent of special instruction program costs were provided for through program receipts, generally grants restricted to special instruction programs. Program receipts provided for 98 percent of the non-instructional program costs. These resources include cafeteria sales and state and federal grants and commodities for the food service operations.

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The General Fund had a 21 percent decrease in fund balance from the prior fiscal year. Although disbursements were over 6 percent lower than the prior fiscal year, disbursements were greater than receipts resulting in cash carryover spending.

The Bond Retirement Fund had a 53 percent increase in fund balance. The combination of general obligation bond proceeds and property tax receipts were greater than debt service requirements and the retirement of previously issued bonds.

The Permanent Improvement Fund had a 16 percent decrease in fund balance from the prior fiscal year. Capital outlay requirements during the fiscal year exceeded property tax and related receipts.

**General Fund Budgeting Highlights**

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

For receipts, there was a significant change in the estimates for both property tax receipts and intergovernmental (primarily State foundation funding) receipts. Changes from the final budget to actual receipts were not significant. For disbursements, the changes from the original budget to the final budget and from the final budget to actual disbursements were not significant.

**Debt Administration**

The District's outstanding debt at June 30, 2014, consisted of general obligation bonds, in the amount of \$3,492,117. During fiscal year 2014, the District currently refunded bonds previously issued in fiscal year 1999 for facility improvements. For further information regarding the District's long-term obligations, refer to Note 14 to the basic financial statements.

**Current Issues**

The public schools in Ohio face many challenges of meeting many unfunded mandates and, in general, many increases in the cost of providing a quality education. We continue to see prices go up in fuel to run our busses and heat our buildings. Our buildings are getting older and we continue to have many costly repairs to maintain them. State funding is essential for our District.

The May 2014 five-year forecast for the 2013-14 school year shows the District spending nearly \$800,000 dollars less in comparison to the previous year. This is due to making several cuts to our budget in terms of not replacing personnel that have left the District, reducing building budgets, and reducing expenses wherever possible. We will continue to look for ways to reduce our spending and improve our financial standing. Our fiscal department's motto is: Making efficient and effective use of District dollars to educate our youth.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

Our costs continue to rise due to needing to provide more services to our special needs students. We have a relatively high percentage of students on individual education plans. We also do not have a high collection of student fees which are very low in comparison to other school districts. Insurance rates continue to rise and all of these fees for health care reform are adding up.

The biggest problem with our budget is dealing with open enrollment and community schools. This is around \$3 million going to other school districts and hurting us even more. Since we are a capped District, we do not receive any additional funding when our ADM (average daily membership) goes up. However, there is no cap on the amount of money leaving the District. Well over half of our purchased services budget is going to other school districts due to open enrollment, community schools, or schools that are working with our students to meet their special needs. We continue to look for ways to encourage students who have left via open enrollment or attending community schools to return to the District. The problem is that once they have established themselves in other school districts, it is tough to get them back.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Norman Elchert, Treasurer, Fostoria City School District, 1001 Park Avenue, Fostoria, Ohio 44830-1455.

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Fostoria City School District  
Statement of Net Position - Cash Basis  
June 30, 2014

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,201,440
Cash and Cash Equivalents with Fiscal Agent	989,268
Total Assets	\$3,190,708
 <u>Net Position:</u>	
Restricted for:	
Capital Projects	\$678,662
Debt Service	1,312,206
Set Asides	104,135
Other Purposes	223,019
Unrestricted	872,686
Total Net Position	\$3,190,708

See Accompanying Notes to Basic Financial Statements

Fostoria City School District  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2014

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$10,742,997	\$193,119	\$1,114,136	(\$9,435,742)
Special	3,029,478	74,840	1,545,110	(1,409,528)
Vocational	227,390	0	63,694	(163,696)
Adult/Continuing	61,247	0	81,795	20,548
Support Services:				
Pupils	1,073,177	0	104,134	(969,043)
Instructional Staff	1,131,864	0	0	(1,131,864)
Board of Education	27,994	0	0	(27,994)
Administration	1,675,167	0	0	(1,675,167)
Fiscal	578,388	0	0	(578,388)
Business	104,386	0	0	(104,386)
Operation and Maintenance of Plant	1,976,211	0	0	(1,976,211)
Pupil Transportation	869,871	27,206	34,797	(807,868)
Central	66,684	0	0	(66,684)
Non-Instructional Services	1,224,658	172,265	1,025,577	(26,816)
Extracurricular Activities	434,458	59,379	2,846	(372,233)
Capital Outlay	386,176	0	0	(386,176)
Debt Service:				
Principal Retirement	2,271,227	0	0	(2,271,227)
Interest and Fiscal Charges	165,942	0	0	(165,942)
Interest on Capital Appreciation Bonds	663,773	0	0	(663,773)
Total Governmental Activities	<u>\$26,711,088</u>	<u>\$526,809</u>	<u>\$3,972,089</u>	<u>(22,212,190)</u>
<u>General Receipts:</u>				
Property Taxes Levied for:				
General Purposes				6,239,840
Debt Service				902,440
Permanent Improvements				198,344
Payment in Lieu of Taxes				40,000
Grants and Entitlements not Restricted to Specific Programs				12,199,162
Interest				26,919
Gifts and Donations				6,951
Miscellaneous				144,387
General Obligation Bonds Issued				2,190,000
Premium on Bonds Issued				63,012
Total General Receipts				<u>22,011,055</u>
Change in Net Position				(201,135)
Net Position at Beginning of Year				<u>3,391,843</u>
Net Position at End of Year				<u>\$3,190,708</u>

See Accompanying Notes to Basic Financial Statements

Fostoria City School District  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2014

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$981,525	\$322,938	\$662,497	\$130,345	\$2,097,305
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	104,135	0	0	0	104,135
Cash and Cash Equivalents with Fiscal Agent	0	989,268	0	0	989,268
<b>Total Assets</b>	<b><u>\$1,085,660</u></b>	<b><u>\$1,312,206</u></b>	<b><u>\$662,497</u></b>	<b><u>\$130,345</u></b>	<b><u>\$3,190,708</u></b>
<u>Fund Balances:</u>					
Restricted	\$104,135	\$1,312,206	\$662,497	\$239,184	\$2,318,022
Assigned	220,710	0	0	0	220,710
Unassigned (Deficit)	760,815	0	0	(108,839)	651,976
<b>Total Fund Balances</b>	<b><u>\$1,085,660</u></b>	<b><u>\$1,312,206</u></b>	<b><u>\$662,497</u></b>	<b><u>\$130,345</u></b>	<b><u>\$3,190,708</u></b>

See Accompanying Notes to Basic Financial Statements

Fostoria City School District  
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<b>Receipts:</b>					
Property Taxes	\$6,239,840	\$902,440	\$198,344	\$0	\$7,340,624
Payment in Lieu of Taxes	40,000	0	0	0	40,000
Intergovernmental	12,995,345	268,158	63,074	2,817,809	16,144,386
Interest	10,491	16,428	0	5	26,924
Tuition and Fees	282,775	0	0	0	282,775
Extracurricular Activities	0	0	0	58,499	58,499
Charges for Services	23,321	0	0	161,334	184,655
Gifts and Donations	6,951	0	0	20,660	27,611
Miscellaneous	131,387	12,000	1,000	7,080	151,467
<b>Total Receipts</b>	<b>19,730,110</b>	<b>1,199,026</b>	<b>262,418</b>	<b>3,065,387</b>	<b>24,256,941</b>
<b>Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	10,059,206	0	0	683,791	10,742,997
Special	2,516,576	0	0	512,902	3,029,478
Vocational	227,390	0	0	0	227,390
Adult/Continuing	10,482	0	0	50,765	61,247
<b>Support Services:</b>					
Pupils	911,707	0	0	161,470	1,073,177
Instructional Staff	618,548	0	0	513,316	1,131,864
Board of Education	27,994	0	0	0	27,994
Administration	1,628,124	0	0	47,043	1,675,167
Fiscal	561,866	12,691	3,831	0	578,388
Business	104,386	0	0	0	104,386
Operation and Maintenance of Plant	1,946,299	0	0	29,912	1,976,211
Pupil Transportation	850,633	0	0	19,238	869,871
Central	66,684	0	0	0	66,684
Non-Instructional Services	8,112	0	0	1,216,546	1,224,658
Extracurricular Activities	362,662	0	0	71,796	434,458
Capital Outlay	0	0	383,558	2,618	386,176
<b>Debt Service:</b>					
Principal Retirement	0	2,271,227	0	0	2,271,227
Interest and Fiscal Charges	0	165,942	0	0	165,942
Interest on Capital Appreciation Bonds	0	663,773	0	0	663,773
<b>Total Disbursements</b>	<b>19,900,669</b>	<b>3,113,633</b>	<b>387,389</b>	<b>3,309,397</b>	<b>26,711,088</b>
<b>Excess of Disbursements Over Receipts</b>	<b>(170,559)</b>	<b>(1,914,607)</b>	<b>(124,971)</b>	<b>(244,010)</b>	<b>(2,454,147)</b>
<b>Other Financing Sources (Uses)</b>					
General Obligation Bonds Issued	0	2,190,000	0	0	2,190,000
Premium on Bonds Issued	0	63,012	0	0	63,012
Advances In	473,725	468,166	0	0	941,891
Advances Out	(468,166)	(468,166)	0	(5,559)	(941,891)
Transfers In	0	116,613	0	0	116,613
Transfers Out	(116,613)	0	0	0	(116,613)
<b>Total Other Financing Sources (Uses)</b>	<b>(111,054)</b>	<b>2,369,625</b>	<b>0</b>	<b>(5,559)</b>	<b>2,253,012</b>
<b>Net Change in Fund Balances</b>	<b>(281,613)</b>	<b>455,018</b>	<b>(124,971)</b>	<b>(249,569)</b>	<b>(201,135)</b>
<b>Fund Balances at Beginning of Year - Restated (Note 3)</b>	<b>1,367,273</b>	<b>857,188</b>	<b>787,468</b>	<b>379,914</b>	<b>3,391,843</b>
<b>Fund Balances at End of Year</b>	<b>\$1,085,660</b>	<b>\$1,312,206</b>	<b>\$662,497</b>	<b>\$130,345</b>	<b>\$3,190,708</b>

See Accompanying Notes to Basic Financial Statements

Fostoria City School District  
Statement of Receipts, Disbursements, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Receipts:</u>				
Property Taxes	\$8,052,349	\$6,282,058	\$6,239,840	(\$42,218)
Payment in Lieu of Taxes	32,012	40,000	40,000	0
Intergovernmental	10,419,292	13,014,440	12,995,345	(19,095)
Interest	2,905	5,000	10,491	5,491
Tuition and Fees	208,128	264,370	282,775	18,405
Charges for Services	13,517	15,700	23,321	7,621
Gifts and Donations	0	2,890	6,951	4,061
Miscellaneous	60,309	140,966	113,084	(27,882)
<b>Total Receipts</b>	<b>18,788,512</b>	<b>19,765,424</b>	<b>19,711,807</b>	<b>(53,617)</b>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	10,310,581	10,308,081	10,080,891	227,190
Special	2,195,868	2,472,952	2,521,301	(48,349)
Vocational	213,089	213,089	232,825	(19,736)
Adult/Continuing	14,120	14,120	10,482	3,638
Support Services:				
Pupils	913,399	887,970	915,182	(27,212)
Instructional Staff	1,085,131	833,175	645,420	187,755
Board of Education	48,095	51,095	28,358	22,737
Administration	1,559,184	1,564,657	1,603,994	(39,337)
Fiscal	795,548	795,548	563,948	231,600
Business	102,184	102,184	121,027	(18,843)
Operation and Maintenance of Plant	2,130,470	2,129,721	2,010,788	118,933
Pupil Transportation	910,258	920,257	876,803	43,454
Central	69,294	69,294	66,684	2,610
Non-Instructional Services	17,375	9,201	8,112	1,089
Extracurricular Activities	330,366	330,366	362,662	(32,296)
Capital Outlay	46,250	39,500	1,782	37,718
Public School Support				
Administration	27,729	57,729	34,685	23,044
College Preview Night				
Pupils	9,572	9,572	0	9,572
<b>Total Disbursements</b>	<b>20,778,513</b>	<b>20,808,511</b>	<b>20,084,944</b>	<b>723,567</b>
Excess of Disbursements Over Receipts	(1,990,001)	(1,043,087)	(373,137)	669,950
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	\$4,450	\$4,450	\$18,303	\$13,853
Refund of Prior Year Receipts	0	0	(1,429)	(1,429)
Advances In	0	0	473,725	473,725
Advances Out	0	0	(468,166)	(468,166)
Transfers In	25,000	25,000	0	(25,000)
Transfers Out	(121,750)	(121,750)	(116,613)	5,137
<b>Total Other Financing Sources (Uses)</b>	<b>(92,300)</b>	<b>(92,300)</b>	<b>(94,180)</b>	<b>(1,880)</b>
<b>Net Change in Fund Balance</b>	<b>(2,082,301)</b>	<b>(1,135,387)</b>	<b>(467,317)</b>	<b>668,070</b>
Fund Balance at Beginning of Year	1,213,449	1,213,449	1,213,449	0
Prior Year Encumbrances Appropriated	153,824	153,824	153,824	0
<b>Fund Balance at End of Year</b>	<b>(\$715,028)</b>	<b>\$231,886</b>	<b>\$899,956</b>	<b>\$668,070</b>

See Accompanying Notes to Basic Financial Statements

Fostoria City School District  
Statement of Cash Basis Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$89,627	\$35,187
<u>Net Position:</u>		
Held in Trust for Scholarships	\$67,627	\$0
Held for Student Activities	0	27,588
Endowment	22,000	0
Undistributed Assets	0	7,599
Total Net Position	\$89,627	\$35,187

See Accompanying Notes to Basic Financial Statements

Fostoria City School District  
Statement of Cash Basis Change in Fiduciary Net Position  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2014

<u>Additions:</u>	
Interest	\$5
Gifts and Donations	875
Total Additions	880
 <u>Deductions:</u>	
Non-Instructional Services	3,570
Change in Net Position	(2,690)
Net Position at Beginning of Year	92,317
Net Position at End of Year	\$89,627

See Accompanying Notes to Basic Financial Statements

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**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Fostoria City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and federal guidelines.

The District was established in 1856. The District serves an area of approximately twenty-two square miles and is located in Seneca, Hancock, and Wood Counties. The District is the 273<sup>rd</sup> largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by one hundred classified employees, one hundred thirty-nine certified teaching personnel, and sixteen administrative employees who provide services to 1,823 students and other community members. The District currently operates two elementary schools, a middle/high school, an administration building, and three bus garages.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District. There are no component units of the Fostoria City School District.

The District participates in three jointly governed organizations and an insurance pool. These organizations are the Northern Ohio Educational Computer Association, Vanguard-Sentinel Career and Technology Center, Bay Area Council of Governments, and the Ohio School Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principals 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 District's accounting policies.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the 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 District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of 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 District's general receipts.

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

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

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Permanent Improvement Fund - The Permanent Improvement Fund accounts for property taxes restricted to acquiring, constructing, or improving permanent improvements.

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

Fiduciary Funds

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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for college scholarships for students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities and athletic tournament receipts held on behalf of participants.

**C. Basis of Accounting**

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related 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 the financial statements.

**D. Budgetary Process**

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

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**E. Cash and Investments**

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

Cash and cash equivalents held for the District by the Bank of New York, who services the District's energy conservation debt, are included on the financial statements as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2014, the District invested in federal agency securities, mutual funds, and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2014.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$10,491, which includes \$4,694 assigned from other District funds.

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

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

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Restricted assets in the General Fund include amounts required by State statute to be set aside for the acquisition or construction of capital improvements.

Restricted assets in the Bond Retirement Fund consists of amounts held for the District by the Bank of New York for repayment of the District's energy conservation debt.

**G. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**H. Compensated Absences**

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

**I. Long-Term Obligations**

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 disbursements are made.

**J. Net Position**

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**K. Fund Balance**

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

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

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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

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

**L. Interfund Activity**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for 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. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**3. RESTATEMENT OF FUND BALANCE**

For fiscal year 2014, the District reclassified a fund to appropriately reflect the purpose of the fund. The restatement due to the change in fund structure had the following effect on fund balance of the major and nonmajor funds of the District as they were previously reported.

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2013	\$1,357,701	\$857,188	\$787,468	\$389,486	\$3,391,843
Change in Fund Structure	9,572	0	0	(9,572)	0
Adjusted Fund Balance at June 30, 2013	\$1,367,273	\$857,188	\$787,468	\$379,914	\$3,391,843

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The following funds had deficit cash balances for the fiscal year ended June 30, 2014:

	Amount
Other Governmental Funds	
Early Childhood Education	\$4,774
Alternative Education Challenge	3,594
ABLE	6,574
Title VI-B	19,112
Title I	62,231
McKinney-Vento	1,715
Preschool	2,033
Title II-A	3,273
21 <sup>st</sup> Century	5,533

**B. Compliance**

For the fiscal year ended June 30, 2014, the General Fund had original appropriations in excess of estimated resources plus available balances, in the amount of \$715,028. The Treasurer will review budgetary activity to ensure that appropriations are within available resources.

The Bond Retirement debt service fund had expenditures plus encumbrances in excess of appropriations, in the amount of \$2,249,488, for the fiscal year ended June 30, 2014. The Treasurer will monitor budgetary transactions to ensure that expenditures are within amounts appropriated.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**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 Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$185,704.

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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



**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$692,322 of the District's bank balance of \$1,051,950 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2014, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Farm Credit Bank Notes	\$135,000	12/10/15
Federal Home Loan Bank Notes	977,051	9/19/14
Federal Home Loan Bank Notes	99,838	6/24/16
Federal Home Loan Bank Notes	100,000	9/27/16
Federal Home Loan Bank Notes	96,429	11/28/16
Federal Home Loan Bank Notes	60,000	4/28/17
Federal Home Loan Mortgage Association Notes	144,767	11/17/14
Federal Home Loan Mortgage Association Notes	149,936	5/13/16
Federal Home Loan Mortgage Association Notes	179,892	6/29/17
Federal National Mortgage Association Notes	129,311	3/30/16
Federal National Mortgage Association Notes	123,782	7/5/16
Federal National Mortgage Association Notes	123,857	8/26/16
Federal National Mortgage Association Notes	74,561	8/28/17
Mutual Funds	50,446	24 Days
STAR Ohio	9,136	51.4 Days
	<u>\$2,454,006</u>	

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment for securities with fixed rates and within two years from the date of investment for securities with variable rates.

The Federal Farm Credit Bank notes, Federal Home Loan Bank notes, Federal Home Loan Mortgage Association notes, Federal National Mortgage Association notes, and mutual funds carry a rating of Aaa or P-1 by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The District's investment policy states that, with the exception of U.S. Treasury securities and STAR Ohio, the District may not invest more than 25 percent of its portfolio in a single security type or financial institution. The investment with the Federal Home Loan Bank is being held by an escrow agent due to sinking fund requirements and would accordingly be exempted from this policy. The following table indicates the percentage of each investment to the District's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Farm Credit Bank	\$135,000	5.50%
Federal Home Loan Bank	1,333,318	54.33
Federal Home Loan Mortgage Association	474,595	19.34
Federal National Mortgage Association	451,511	18.40

**7. PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**7. PROPERTY TAXES (Continued)**

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Seneca, Hancock, and Wood Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$123,877,200	70.95%	\$119,788,740	69.97%
Industrial/Commercial	40,894,240	23.42	41,100,310	24.00
Public Utility	9,821,270	5.63	10,326,660	6.03
<b>Total Assessed Value</b>	<b>\$174,592,710</b>	<b>100.00%</b>	<b>\$171,215,710</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$63.38		\$63.51	

**8. INTERFUND BALANCES**

At June 30, 2014, the General Fund made cash advances to the Bond Retirement debt service fund, in the amount of \$468,166, to provide for debt service payments as they came due. This amount was fully repaid during the year. Other governmental funds made cash advances to the General Fund, in the amount of \$5,559, to repay advances from the previous year.

**9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General District Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Automobile Liability	1,000,000
Buildings and Contents	75,714,972

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**9. RISK MANAGEMENT (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2014, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Workers' compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**10. CONTRACTUAL COMMITMENTS**

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General Fund	\$185,704
Permanent Improvement Fund	<u>92,517</u>
Total	<u><u>\$278,221</u></u>

**11. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

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

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013 until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$1,056,078 and \$15,702 for the fiscal year ended June 30, 2014, \$1,137,507 for the fiscal year ended June 30, 2013, and \$1,113,317 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83 percent has been contributed for both the DBP and CP. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$12,458 made by the District and \$9,789 made by the plan members. In addition, member contributions of \$12,337 were made for fiscal year 2014 for the defined contribution portion of the CP.

**B. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$334,515, \$338,791, and \$337,216, respectively. For fiscal year 2014, 78 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2014, none of the Board of Education members have elected Social Security.

**12. POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

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

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$83,403, \$87,501, and \$85,640, respectively. For fiscal year 2014, 83 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Plan effective July 1, 2014.

**B. School Employees Retirement System**

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

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 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 2014, this amount was \$20,250. For fiscal year 2014, the District paid \$47,423 in surcharge.

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

The District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$3,575, \$4,138, and \$14,604, respectively. For fiscal year 2014, 78 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$19,407, \$10,331, and \$19,914, respectively. For fiscal year 2014, 78 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

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

**B. Employee Insurance Benefits**

The District has contracted with the Ohio School Benefits Cooperative to provide employee medical and prescription drug benefits under a fully insured plan. The insurance is provided through Medical Mutual services. The District offers life insurance to all employees through Madison National Life Insurance Company. Dental insurance is offered to all employees through Coresource. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**14. LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during fiscal year 2014 were as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
FY 1999 Refunding School Improvement Bonds					
Term Bonds 4.7%	\$2,190,000	\$0	\$2,190,000	\$0	\$0
Capital Appreciation Bonds 4.55-4.75%	81,227	0	81,227	0	0
Accretion on Capital Appreciation	<u>608,962</u>	<u>54,811</u>	<u>663,773</u>	<u>0</u>	<u>0</u>
Governmental Activities (continued)					
General Long-Term Obligations (continued)					
FY 2006 Energy Conservation Facilities Bonds					
Qualified Zone Academy Bond	\$1,238,000	\$0	\$0	\$1,238,000	\$0
FY 2014 Refunding School Improvement Bonds					
Serial Bonds 1-1.5%	0	2,140,000	0	2,140,000	755,000
Capital Appreciation Bonds 4.55-4.75%	0	50,000	0	50,000	0
Accretion on Capital Appreciation	0	1,105	0	1,105	0
Bond Premium	0	63,012	0	63,012	0
Total General Obligation Bonds	<u>\$4,118,189</u>	<u>\$2,308,928</u>	<u>\$2,935,000</u>	<u>\$3,492,117</u>	<u>\$755,000</u>

FY 1999 Refunding School Improvement Bonds - On January 1, 1999, the District issued bonds, in the amount of \$9,023,505, to refund bonds previously issued for improving and constructing school buildings and facilities. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$6,420,000, \$2,190,000, and \$413,505, respectively. The bonds were issued for a seventeen fiscal year period, with final maturity in fiscal year 2016. The term bonds were fully retired in fiscal year 2014, with the proceeds of the fiscal year 2014 refunding school improvement bonds.

The refunded bonds are fully retired.

The capital appreciation bonds matured and were fully retired in fiscal year 2014.

FY 2006 Energy Conservation Facilities Bonds - On September 23, 2005, the District issued bonds, in the amount of \$1,238,000, to make energy saving modifications to school buildings and facilities. The bond issue consisted of qualified zone academy bonds. The bonds were issued for a ten fiscal year period, with final maturity in fiscal year 2016. The bonds are being retired through the Bond Retirement debt service fund.



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(Continued)**

**14. LONG-TERM OBLIGATIONS (Continued)**

FY 2014 Refunding School Improvement Bonds - On June 3, 2014, the District issued bonds, in the amount of \$2,190,000, to currently refund the remaining balance of bonds previously issued in fiscal year 1999 for improving and constructing school buildings and facilities. The refunding bond issue includes serial and capital appreciation bonds, in the original amount of \$2,140,000 and \$50,000, respectively. The bonds were issued for a three fiscal year period, with final maturity in fiscal year 2017. The bonds are being retired through the Bond Retirement debt service fund.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2017. The maturity amount of the bonds is \$100,000. For fiscal year 2014, \$1,105 was accreted on the capital appreciation bonds for a total value of \$51,105 at fiscal year end.

The District's overall debt margin was \$13,602,221 with an unvoted debt margin of \$160,889 at June 30, 2014.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2014, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				Total
	QZAB	Serial	Capital Appreciation	Interest	
2015	\$0	\$755,000	\$0	\$20,414	\$775,414
2016	1,238,000	800,000	0	74,675	2,112,675
2017	0	585,000	50,000	54,388	689,388
	<u>\$1,238,000</u>	<u>\$2,140,000</u>	<u>\$50,000</u>	<u>\$149,477</u>	<u>\$3,577,477</u>

**15. FUND BALANCE**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**15. FUND BALANCE (Continued)**

Fund Balance	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Restricted for:					
Athletics and Music	\$0	\$0	\$0	\$8,631	\$8,631
Building Construction	0	0	0	16,165	16,165
Capital Improvements	104,135	0	0	0	104,135
Debt Retirement	0	1,312,206	0	0	1,312,206
Food Service Operations	0	0	0	118,646	118,646
Network Connectivity	0	0	0	515	515
Permanent Improvements	0	0	662,497	0	662,497
Regular Instruction	0	0	0	95,227	95,227
<b>Total Restricted</b>	<b>104,135</b>	<b>1,312,206</b>	<b>662,497</b>	<b>239,184</b>	<b>2,318,022</b>
Assigned for:					
Extracurricular Activities	38,180	0	0	0	38,180
Unpaid Obligations	182,530	0	0	0	182,530
<b>Total Assigned</b>	<b>220,710</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>220,710</b>
Unassigned (Deficit)	760,815	0	0	(108,839)	651,976
<b>Total Fund Balance</b>	<b>\$1,085,660</b>	<b>\$1,312,206</b>	<b>\$662,497</b>	<b>\$130,345</b>	<b>\$3,190,708</b>

**16. SET ASIDE REQUIREMENTS**

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2014.

	<u>Capital Improvements</u>
Balance June 30, 2013	\$0
Current Year Set Aside Requirement	302,481
Current Year Offsets	<u>(198,346)</u>
Set Aside Reserve Balance June 30, 2014	<u>\$104,135</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**17. INTERFUND TRANSFERS**

During fiscal year 2014, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$116,613, to move receipts as debt payments came due.

**18. DONOR RESTRICTED ENDOWMENTS**

The District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$22,000, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$67,627 and is included as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

**19. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northern Ohio Educational Computer Association**

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among fifty-eight school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. During fiscal year 2014, the District paid \$61,838 to NOECA for various services. Financial information can be obtained from NOECA, 219 Howard Drive, Sandusky, Ohio 44870.

**B. Vanguard-Sentinel Career and Technology Center**

Vanguard-Sentinel Career and Technology Center (Center) is a distinct political subdivision of the State of Ohio which provides vocational education. The Center operates under the direction of a fourteen member Board consisting of representatives of the sixteen participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the District is limited to its representation on the Board. Financial information can be obtained from Vanguard-Sentinel Career and Technology Center, 1306 Cedar Street, Fremont, Ohio 43420.

**C. Bay Area Council of Governments**

The Bay Area Council of Governments (Council) is a jointly governed organization among thirty-eight school districts which was formed to purchase quality products and services at the lowest possible cost to participating school districts. The Council is governed by a board consisting of seven superintendents from the participating school districts. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained from the Bay Area Council of Governments, North Point Educational Service Center, 2900 Columbus Avenue, Sandusky, Ohio 44870.

**FOSTORIA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**20. INSURANCE POOL**

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**21. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

**B. Litigation**

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

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>			
Child and Adult Care Food Program	10.558	\$23,219	\$23,219
<u>Child Nutrition Cluster:</u>			
National School Lunch Program			
Non-Cash Assistance (Commodities)		55,231	55,231
Cash Assistance		582,171	582,171
Total National School Lunch Program	10.555	637,402	637,402
Summer Food Service Program for Children	10.559	16,079	16,079
School Breakfast Program	10.553	179,894	179,894
Total Child Nutrition Cluster		833,375	833,375
<b>Total U.S. Department of Agriculture</b>		<b>856,594</b>	<b>856,594</b>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	775,564	1,043,903
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	409,552	482,400
Special Education - Preschool Grants	84.173	46,684	50,554
Total Special Education Cluster		456,236	532,954
Education for Homeless Children and Youth	84.196	20,908	34,423
Twenty-First Century Community Learning Centers	84.287	95,004	130,495
Improving Teacher Quality State Grants	84.367	139,852	23,833
Rural and Low Income School Program	84.358	29,912	29,912
Adult Education - State Grant Program	84.002	56,094	56,094
ARRA - Race to the Top - Federal Stimulus	84.395	1,750	1,750
<b>Total U.S. Department of Education</b>		<b>1,575,320</b>	<b>1,853,364</b>
<b>Total Federal Awards Receipts and Expenditure:</b>		<b>\$2,431,914</b>	<b>\$2,709,958</b>

The accompanying notes are an integral part of this Schedule.

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

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

Fostoria City School District  
Seneca County  
1001 Park Avenue  
Fostoria, Ohio 44830-1455

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fostoria City School District, Seneca County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 11, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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

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

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

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

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

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-002.

***District's Response to Findings***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 11, 2015





# Dave Yost • Auditor of State

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

Fostoria City School District  
Seneca County  
1001 Park Avenue  
Fostoria, Ohio 44830-1455

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited Fostoria City School District, Seneca County, Ohio's (the District) 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 the District's major federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The 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 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 federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those 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 of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Fostoria City 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, 2014.

**Report on Internal Control Over Compliance**

The 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 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 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 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 11, 2015

**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies CFDA #84.010  <u>Special Education Cluster:</u> Special Education – Grants to States CFDA #84.027 Special Education – Preschool Grants CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2014-001**

**Noncompliance Citation**

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

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

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

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

**Officials' Response:**

We did not receive a response from Officials to the finding reported above.

**FINDING NUMBER 2014-002**

**Noncompliance Citation**

**Ohio Rev. Code, § 5705.41(B)**, prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Revised Code.

The District's expenditures exceeded appropriations in the Bond Retirement Fund by \$2,249,488. The District's books show the District was in compliance; however, they did not properly record the refinancing of debt during the audit period. The refinancing of debt was properly reported in the financial statements.

The budgeting process is an essential monitoring control which, when properly used, reduces the possibility of the District incurring a deficit spending situation. We recommend the Treasurer request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources when debt is refinanced by the District.

**Officials' Response:**

While we understand the intent of this finding, there was no money that actually came into our district, nor any expenditure going out for this transaction. As mentioned by the auditors, "the District's books show the District was in compliance", this was simply a refinance. This transaction was done with the approval of our board. There was no increase in expenditure levels and actually the district will save over \$67,000 in interest by refinancing our bonds.

**3. FINDINGS FOR FEDERAL AWARDS**

**None**

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**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	No	Not corrected. Repeated in this report as finding 2014-001
2013-002	Material weakness in financial reporting due to adjustments made to financial statements.	Yes	

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# Dave Yost • Auditor of State

**FOSTORIA CITY SCHOOL DISTRICT**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 3, 2015**