

FREMONT CITY SCHOOL DISTRICT

SANDUSKY COUNTY

Audit Report

For the Year Ended June 30, 2012

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants

**FREMONT CITY SCHOOL DISTRICT
SANDUSKY COUNTY
AUDIT REPORT
For the Year Ending June 30, 2012**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Fremont City School District
Sandusky County
500 West State Street
Suite A
Fremont, OH 43420

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County, Ohio, (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County, Ohio, as of June 30, 2012, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fremont City School District, Sandusky, Ohio's financial statements as a whole. The accompanying schedule of federal awards expenditures is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Charles E. Harris & Associates, Inc.
January 18, 2013

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited*

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

Highlights

Highlights for fiscal year 2012 are as follows:

- Net assets of governmental activities increased \$406,875 from 2011.
- General revenues accounted for \$35,274,227 in revenue or 80.6% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$8,467,995 or 19.4% of total revenues of \$43,742,222.
- The School District had \$43,335,347 in expenses related to governmental activities; only \$8,467,995 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$35,274,227 were adequate to provide for these programs.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of \$22,244,793, a decrease of \$6,365,386 from the prior fiscal year.
- The School District completed \$8,335,052 of construction in progress on the new middle school and several other projects.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide 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 School District's most significant funds, with all other nonmajor funds presented in total in a single column. For the School District, the general fund, debt service fund and the classroom facilities capital projects fund are the most significant funds.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
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Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to that, which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the general fund, the debt service fund, and the classroom facilities fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of the funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School 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.

Proprietary Funds - Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities. The internal service fund accounts for self-insurance for health insurance coverage and is reported separately as the School District's only proprietary fund.

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

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited*

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011.

**Table 1
Net Assets**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Assets:		
Current and other assets	\$ 39,219,689	\$ 46,850,509
Capital assets, net	<u>37,664,246</u>	<u>30,096,853</u>
<i>Total assets, net</i>	<u>76,883,935</u>	<u>76,947,362</u>
Liabilities:		
Current and other liabilities	15,140,928	15,101,061
Long-term liabilities	<u>22,253,390</u>	<u>22,763,559</u>
<i>Total liabilities</i>	<u>37,394,318</u>	<u>37,864,620</u>
Net Assets:		
Invested in capital assets, net of related debt	22,666,838	11,900,195
Restricted	5,506,261	15,314,982
Unrestricted (deficit)	<u>11,316,518</u>	<u>11,867,565</u>
<i>Total net assets</i>	<u>\$ 39,489,617</u>	<u>\$ 39,082,742</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the School District's assets exceeded liabilities by \$39,489,617.

Invested in capital assets, net of related debt reported on the government-wide statements represents a portion of the School District's total net assets. Capital assets include land and land improvements, buildings, equipment, vehicles and construction in progress and are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$5,506,261, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$1,921,828 or 4.9% is restricted for capital projects; \$745,720 or 1.9% is restricted for debt service payment; and \$2,838,713 or 7.2%, is restricted for other purposes. The remaining balance of government-wide unrestricted net assets of \$11,316,518 was sufficient to meet the government's ongoing obligations to students and staff.

**Fremont City School District
Sandusky County**

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Table 2 reflects the changes in net assets for fiscal year 2012 and 2011.

**Table 2
Change in Net Assets**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,668,889	\$ 1,647,046
Operating grants, contributions, and interest	5,582,539	6,668,557
Capital grants and contributions	1,216,567	666,944
General revenues:		
Property taxes	11,296,182	13,157,448
Income taxes	6,898,103	6,540,437
Grants and entitlements	16,026,671	16,448,341
Payment in lieu of taxes	743,921	755,841
Interest	44,539	90,727
Miscellaneous	264,811	161,015
<i>Total revenues</i>	<u>43,742,222</u>	<u>46,136,356</u>
Expenses:		
Instruction:		
Regular	18,547,548	18,089,821
Special	5,716,599	6,218,490
Vocational	131,197	66,961
Other	268,056	532,125
Support services:		
Pupils	3,360,180	2,878,859
Instructional staff	1,953,225	2,382,719
Board of education	76,110	73,267
Administration	3,215,463	3,336,861
Fiscal	797,663	782,221
Business	155,294	140,753
Operation of maintenance of plant	3,576,785	3,211,495
Pupil transportation	1,643,917	1,359,099
Central	94,751	111,701
Operation of non-instructional services	2,066,803	1,979,813
Extracurricular services	905,153	870,929
Interest and fiscal charges	826,603	1,002,008
<i>Total expenses</i>	<u>43,335,347</u>	<u>43,037,122</u>
<i>Increase in net assets</i>	<u>\$ 406,875</u>	<u>\$ 3,099,234</u>

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
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Change in Net Assets

Governmental Activities - The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 25.8 percent of total revenues for governmental activities for the School District in fiscal year 2012. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The School District has an income tax which is also a critical revenue used to support operations. For 2012, this revenue amounted to 15.8 percent of total revenues.

Program revenues represented 19.4 percent of total revenues for fiscal year 2012. Program revenues generally represent tuition and fees, charges for extracurricular activities, and food service sales.

As stated previously, general revenues were 80.6 percent of total revenues for fiscal year 2012 and while general revenues decreased \$1,879,582 from the previous fiscal year, dependence on tax resources and unrestricted grants and entitlements, primarily State foundation resources, will continue to be the primary support for School District operations.

Program expenses for 2012 increased \$298,225 or 0.7 percent over 2011. The increase was not attributed to one specific line item.

The major program expenses for governmental activities are for instruction, which in 2012, accounted for 56.9 percent of all governmental expenses. Other programs which support the instruction process, including pupils support, instructional staff, and pupil transportation account for 16.1 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, of 8.3 percent.

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 revenues and unrestricted state entitlements.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
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Unaudited*

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 18,547,548	\$ 18,089,821	\$ (16,217,485)	\$ (16,100,587)
Special	5,716,599	6,218,490	(4,127,326)	(4,415,478)
Vocational	131,197	66,961	(126,242)	(57,987)
Other	268,056	532,125	(99,993)	(312,882)
Support services:				
Pupils	3,360,180	2,878,859	(2,972,063)	(2,599,512)
Instructional staff	1,953,225	2,382,719	(1,094,112)	(1,285,459)
Board of education	76,110	73,267	(76,110)	(73,267)
Administration	3,215,463	3,336,861	(3,037,982)	(3,070,671)
Fiscal	797,663	782,221	(766,763)	(741,625)
Buisness	155,294	140,753	(155,294)	(140,753)
Operation and maintenance of plant	3,576,785	3,211,495	(3,519,599)	(2,606,192)
Pupil transportation	1,643,917	1,359,099	(1,478,206)	(1,308,495)
Central	94,751	111,701	(94,751)	(106,701)
Operation of non-instructional services	2,066,803	1,979,813	250,910	316,697
Extracurricular services	905,153	870,929	(525,733)	(549,655)
Interest and fiscal charges	826,603	1,002,008	(826,603)	(1,002,008)
<i>Total expenses</i>	\$ 43,335,347	\$ 43,037,122	\$ (34,867,352)	\$ (34,054,575)

As noted earlier, the program costs for fiscal year 2012 are comparable to the prior fiscal year with a 0.7 percent increase however, the amount of program revenues provided to off-set these expenses decreased 5.7 percent.

The non-instructional services program received a significant amount of program revenue. The amount of program revenue exceeded the program expenses. These revenues consist of cafeteria sales and state and federal subsidies for cafeteria operations as well as State monies received by the School District on behalf of the four parochial schools within the School District's boundaries.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
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The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the general fund where revenues exceeded expenditures for the fiscal year, debt service fund used to account for the accumulation of resources and the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the government is obligated in some manner for the payment and the classroom facilities capital projects fund which account for all transactions related to building and equipping of classroom facilities.

Overall fund balances decreased for the current fiscal year. The classroom facilities fund balance being the most significant due to significant progress being made on the construction of the middle school and resulting payments made to contractors.

**Table 4
Fund Balances**

	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Fund Balance</u> <u>June 30, 2011</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General	\$ 13,709,980	\$ 13,164,939	\$ 545,041	4.14
Debt Service	979,615	1,057,215	(77,600)	(7.34)
Classroom facilities	3,873,155	10,313,310	(6,440,155)	(62.45)
Other governmental	<u>3,682,043</u>	<u>4,074,715</u>	<u>(392,672)</u>	(9.64)
Total	<u>\$ 22,244,793</u>	<u>\$ 28,610,179</u>	<u>\$ (6,365,386)</u>	

The School District's general fund revenues decreased \$1,292,998 and expenditures increased \$403,779 from 2011. The most significant change in revenues was a decrease in taxes over the prior year. Total expenditures increased mainly in the area of support services and related services provided to students.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
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**Table 5
Change in Financial Activities for the General Fund**

	2012 <u>Amount</u>	2011 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 9,709,499	\$ 11,092,920	\$ (1,383,421)	(12.47)
Income tax	6,898,103	6,540,437	357,666	5.47
Intergovernmental	15,861,306	16,131,801	(270,495)	(1.68)
Interest	44,531	90,727	(46,196)	(50.92)
Tuition and fees	674,550	740,132	(65,582)	(8.86)
Extracurricular activities	148,672	147,756	916	0.62
Gifts and donations	16,926	13,069	3,857	29.51
Charges for service	36,745	43,041	(6,296)	(14.63)
Rent	36,017	18,041	17,976	99.64
Payment in lieu of taxes	756,460	763,641	(7,181)	(0.94)
Miscellaneous	<u>300,426</u>	<u>194,668</u>	<u>105,758</u>	54.33
Total	<u>\$ 34,483,235</u>	<u>\$ 35,776,233</u>	<u>\$ (1,292,998)</u>	
<u>Expenditures:</u>				
Instruction	21,219,080	21,736,505	(517,425)	(2.38)
Support services	11,854,124	11,145,161	708,963	6.36
Operation of non-instructional services	456	29,968	(29,512)	(98.48)
Extracurricular activities	614,580	610,768	3,812	0.62
Capital outlay	243,640	5,699	237,941	4,175.14
Debt service	<u>6,314</u>	<u>6,314</u>	<u>-</u>	-
Total	<u>\$ 33,938,194</u>	<u>\$ 33,534,415</u>	<u>\$ 403,779</u>	

General Fund Budgeting Highlights

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

For the general fund, the final budget basis revenue and other financing sources estimate was \$30,172,234, which is higher than the original budget estimate of \$30,167,589. All of this \$4,645 difference was due to budget estimates for miscellaneous revenues. Actual revenue and other financing uses, however, were \$34,933,226 or \$4,760,992 more than anticipated.

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The original expenditures and other financing uses estimate of \$34,234,112 was revised during the fiscal year to the final amount of \$35,174,705. Actual expenditures (including encumbrances) and other financing uses, however, were \$33,843,674 or \$1,331,031 less than anticipated. The decrease was due to lower than anticipated expenditures and management controls to reduce the expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$37,664,246 invested in various capitalized assets, net of depreciation. The table below shows fiscal year 2012 balances compared to fiscal year 2011.

**Table 6
Capital Assets, at Fiscal Year End
(Net of depreciation)**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 409,270	\$ 409,270
Construction in progress	24,338,698	16,233,359
Land improvements	174,815	202,279
Buildings and improvements	11,210,731	12,011,139
Furniture, fixtures and equipment	815,513	701,663
Vehicles	715,219	539,143
Total capital assets	\$ 37,664,246	\$ 30,096,853

As stated above at the end of fiscal year 2012, the School District had \$37,664,246 invested in capital assets (net of accumulated depreciation), an increase of \$7,567,393 from the prior year. This increase is a reflection of the progress made on the new middle school construction. The amount reported for vehicles of \$715,219 is approximately 26 percent of cost (\$2,741,187) which indicates the vehicles (mainly buses) are significantly depreciated and soon to be replaced or repaired. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

**Fremont City School District
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*Management's Discussion and Analysis
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Debt

The School District's outstanding debt at June 30, 2012, consisted of general obligation bonds (including unamortized bond premium and bond accretion), in the amount of \$17,941,335 and capital leases in the amount of \$3,568. The School District's long-term obligations also include compensated absences.

**Table 7
Outstanding Debt and Capital Lease, at Fiscal Year End**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
General obligation bonds	\$ 17,941,335	\$ 18,307,913
Capital leases	3,568	9,239
Total outstanding	<u>\$ 17,944,903</u>	<u>\$ 18,317,152</u>

For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

Current Issues

The Fremont City School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. Recent national events and their impact on the School District and the surrounding area are very much under review and analysis. Economic recession has yet to impact our primary industries, but that could be a seasonal phenomena resulting from our agricultural and housing industry strengths. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its five year forecast.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Thus management must diligently plan expenses from this growth, staying carefully within its five-year forecast.

As a result of the challenges mentioned above, it is imperative that the School District's management continue to carefully and prudently plan to provide the resources required to meet student needs over the next several years.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited*

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to David M. Chambers, Treasurer, Fremont City School District, 500 W. State Street, Suite A, Fremont, Ohio 43420.

Fremont City School District

Statement of Net Assets

June 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 22,317,828
Investments in segregated accounts	102,091
Inventory held for resale	11,709
Materials and supplies inventory	781
Receivables:	
Accounts	42,623
Intergovernmental	593,083
Accrued interest	15,104
Property taxes	13,601,344
Income taxes	2,323,757
Notes	16,547
Deferred charges	194,822
Capital assets:	
Nondepreciable capital assets	24,747,968
Depreciable capital assets, net	12,916,278
Total capital assets	<u>37,664,246</u>
Total assets	<u>76,883,935</u>
Liabilities:	
Accounts payable	264,043
Contracts payable	163,409
Accrued wages	2,719,246
Matured compensated absences payable	16,200
Intergovernmental payable	842,134
Accrued interest payable	344,835
Claims payable	390,331
Deferred revenue	10,400,730
Long-term liabilities:	
Due within one year	1,018,345
Due in more than one year	21,235,045
Total liabilities	<u>37,394,318</u>
Net assets:	
Invested in capital assets, net of related debt	22,666,838
Restricted for:	
Capital projects	1,921,828
Debt service	745,720
Other purposes	2,838,713
Unrestricted	11,316,518
Total net assets	<u>\$ 39,489,617</u>

See accompanying notes to the basic financial statements.

Fremont City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Revenues and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 18,547,548	\$ 617,285	\$ 524,211	\$ 1,188,567	\$ (16,217,485)
Special	5,716,599	82,124	1,507,149	-	(4,127,326)
Vocational	131,197	4,955	-	-	(126,242)
Other	268,056	-	168,063	-	(99,993)
Support services:					
Pupils	3,360,180	46,471	341,646	-	(2,972,063)
Instructional staff	1,953,225	37,005	822,108	-	(1,094,112)
Board of education	76,110	-	-	-	(76,110)
Administration	3,215,463	10,893	166,588	-	(3,037,982)
Fiscal	797,663	-	30,900	-	(766,763)
Business	155,294	-	-	-	(155,294)
Operation and maintenance of plant	3,576,785	36,017	21,169	-	(3,519,599)
Pupil transportation	1,643,917	-	165,711	-	(1,478,206)
Central	94,751	-	-	-	(94,751)
Operation of non-instructional services	2,066,803	501,969	1,815,744	-	250,910
Extracurricular activities	905,153	332,170	19,250	28,000	(525,733)
Interest and fiscal charges	826,603	-	-	-	(826,603)
Total governmental activities	\$ 43,335,347	\$ 1,668,889	\$ 5,582,539	\$ 1,216,567	(34,867,352)

General Revenues:

Property taxes levied for:		
General purposes		9,676,405
Debt service		981,906
Capital outlay		354,640
Capital facilities maintenance		283,231
Income taxes levied for:		
General purposes		6,898,103
Grants and entitlements not restricted to specific programs		16,026,671
Payment in lieu of taxes		743,921
Investment earnings		44,539
Miscellaneous		264,811
Total general revenues		35,274,227
Change in net assets		406,875
Net assets beginning of year		39,082,742
Net assets end of year		\$ 39,489,617

See accompanying notes to the basic financial statements.

Fremont City School District

Balance Sheet

Governmental Funds

June 30, 2012

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 13,135,494	\$ 811,182	\$ 3,883,739	\$ 3,427,102	\$ 21,257,517
Investments in segregated accounts	-	-	-	102,091	102,091
Inventory held for resale	-	-	-	11,709	11,709
Materials and supplies inventory	-	-	-	781	781
Receivables:					
Accounts	31,211	-	-	6,443	37,654
Intergovernmental	11,224	-	22,437	559,422	593,083
Accrued interest	14,663	-	-	441	15,104
Property taxes	11,599,366	1,183,563	-	818,415	13,601,344
Income taxes	2,323,757	-	-	-	2,323,757
Notes	-	-	-	16,547	16,547
Total assets	<u>\$ 27,115,715</u>	<u>\$ 1,994,745</u>	<u>\$ 3,906,176</u>	<u>\$ 4,942,951</u>	<u>\$ 37,959,587</u>
Liabilities:					
Accounts payable	\$ 220,962	\$ -	\$ -	\$ 43,081	\$ 264,043
Contracts payable	-	-	33,021	130,388	163,409
Accrued wages	2,499,846	-	-	219,400	2,719,246
Matured compensated absences payable	14,700	-	-	1,500	16,200
Intergovernmental payable	716,087	-	-	126,047	842,134
Deferred revenue	9,954,140	1,015,130	-	740,492	11,709,762
Total liabilities	<u>13,405,735</u>	<u>1,015,130</u>	<u>33,021</u>	<u>1,260,908</u>	<u>15,714,794</u>
Fund balances:					
Nonspendable	-	-	-	29,037	29,037
Restricted	-	979,615	3,873,155	3,678,585	8,531,355
Committed	4,621,058	-	-	-	4,621,058
Assigned	4,496,197	-	-	-	4,496,197
Unassigned	4,592,725	-	-	(25,579)	4,567,146
Total fund balances	<u>13,709,980</u>	<u>979,615</u>	<u>3,873,155</u>	<u>3,682,043</u>	<u>22,244,793</u>
Total liabilities and fund balances	<u>\$ 27,115,715</u>	<u>\$ 1,994,745</u>	<u>\$ 3,906,176</u>	<u>\$ 4,942,951</u>	<u>\$ 37,959,587</u>

See accompanying notes to the basic financial statements.

Fremont City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total governmental fund balances		\$	22,244,793
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			37,664,246
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property taxes	\$	1,270,976	
Intergovernmental		37,441	
Tuition and fees		562	
Miscellaneous		53	
			1,309,032
Deferred charges are included in the governmental activities in the statement of net assets.			194,822
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(344,835)
Long-term liabilities, including general obligation bonds and compensated absences are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds	\$	(16,965,000)	
Capital appreciation bonds		(449,868)	
Accretion on bonds		(196,454)	
Premium on bonds		(330,013)	
Compensated absences		(4,308,487)	
Capital leases		(3,568)	
Total			(22,253,390)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			674,949
Net assets of governmental activities		\$	39,489,617

See accompanying notes to the basic financial statements.

Fremont City School District

Statement of Revenues, Expenditures

and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2012

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 9,709,499	\$ 985,032	\$ -	\$ 634,187	\$ 11,328,718
Income tax	6,898,103	-	-	-	6,898,103
Intergovernmental	15,861,306	150,080	1,178,915	5,697,011	22,887,312
Interest	44,531	-	9,652	5,862	60,045
Tuition and fees	674,550	-	-	-	674,550
Extracurricular activities	148,672	-	-	223,929	372,601
Gifts and donations	16,926	-	-	60,317	77,243
Charges for services	36,745	-	-	487,831	524,576
Rent	36,017	-	-	-	36,017
Payment in lieu of taxes	756,460	-	-	-	756,460
Miscellaneous	300,426	-	650	25,291	326,367
Total revenues	34,483,235	1,135,112	1,189,217	7,134,428	43,941,992
Expenditures:					
Current:					
Instruction:					
Regular	17,111,641	-	-	458,438	17,570,079
Special	3,834,821	-	-	1,750,156	5,584,977
Vocational	116,813	-	-	-	116,813
Other	155,805	-	-	112,251	268,056
Support services:					
Pupils	2,581,365	-	-	705,305	3,286,670
Instructional staff	1,102,690	-	-	816,572	1,919,262
Board of education	49,800	-	-	26,310	76,110
Administration	2,874,876	-	-	188,104	3,062,980
Fiscal	694,300	27,746	-	52,511	774,557
Business	150,527	-	-	-	150,527
Operation and maintenance of plant	3,049,788	-	-	227,627	3,277,415
Pupil transportation	1,258,630	-	-	148,667	1,407,297
Central	92,148	-	-	497	92,645
Operation of non-instructional services	456	-	-	2,004,747	2,005,203
Extracurricular activities	614,580	-	-	191,886	806,466
Capital outlay	243,640	-	7,629,372	844,029	8,717,041
Debt service:					
Principal retirement	5,671	420,000	-	-	425,671
Interest and fiscal charges	643	764,966	-	-	765,609
Total expenditures	33,938,194	1,212,712	7,629,372	7,527,100	50,307,378
Excess of revenues over (under) expenditures	545,041	(77,600)	(6,440,155)	(392,672)	(6,365,386)
Other financing sources (uses):					
Transfers in	-	-	-	2,263	2,263
Transfers out	-	-	-	(2,263)	(2,263)
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	545,041	(77,600)	(6,440,155)	(392,672)	(6,365,386)
Fund balances at beginning of year	13,164,939	1,057,215	10,313,310	4,074,715	28,610,179
Fund balances at end of year	\$ 13,709,980	\$ 979,615	\$ 3,873,155	\$ 3,682,043	\$ 22,244,793

See accompanying notes to the basic financial statements.

Fremont City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net change in fund balances - total governmental funds	\$	(6,365,386)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, In the current period, these amounts are:		
Capital asset additions	\$ 8,717,041	
Depreciation expense	<u>(695,001)</u>	
Excess of capital outlay over depreciation expense		8,022,040
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal		
		(454,647)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Property taxes	\$ (32,536)	
Payments in lieu of taxes	(12,539)	
Intergovernmental	(151,823)	
Tuition and fees	562	
Miscellaneous	<u>(3,434)</u>	
Net change in deferred revenues during the year		(199,770)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		420,000
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		
		5,671
The amortization of issuance costs, bond premium and accretion is reflected as an expense in the statement of activities.		
Issuance cost	\$ (13,347)	
Premium	<u>22,538</u>	
Total additional expenses		9,191
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	\$ 137,920	
Increase in accrued interest	5,775	
Bond accretion	<u>(75,960)</u>	
Total additional expenditures		67,735
The internal service fund is used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(1,097,959)</u>
Change in net assets of governmental activities	\$	<u>406,875</u>

See accompanying notes to the basic financial statements.

Fremont City School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual - General Fund
 For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 9,001,689	\$ 9,001,689	\$ 10,426,435	\$ 1,424,746
Income tax	5,847,771	5,847,771	6,773,329	925,558
Intergovernmental	13,567,044	13,567,044	15,714,373	2,147,329
Interest	41,400	41,400	47,953	6,553
Tuition and fees	567,682	567,682	657,532	89,850
Rent	31,095	31,095	36,017	4,922
Extracurricular activities	93,450	93,450	108,241	14,791
Gifts and donations	705,447	705,447	817,102	111,655
Customer services	30,688	30,688	35,545	4,857
Miscellaneous	268,261	272,906	253,629	(19,277)
Total revenues	30,154,527	30,159,172	34,870,156	4,710,984
Expenditures:				
Current:				
Instruction:				
Regular	20,253,259	17,054,337	16,847,208	207,129
Special	3,419,209	3,914,937	3,846,135	68,802
Vocational	48,548	114,746	108,999	5,747
Student Intervention Services	198,472	178,956	85,480	93,476
Other	112,552	108,656	71,563	37,093
Support services:				
Pupils	1,815,601	2,407,119	2,387,271	19,848
Instructional staff	979,326	1,144,736	1,129,948	14,788
Board of education	73,876	77,296	73,065	4,231
Administration	2,380,053	2,989,925	2,929,510	60,415
Fiscal	601,026	726,005	720,595	5,410
Business	125,524	156,230	152,141	4,089
Operation and maintenance of plant	2,522,990	3,195,188	3,099,071	96,117
Pupil transportation	1,107,168	1,346,086	1,335,452	10,634
Central	96,419	115,857	94,584	21,273
Operation of non-instructional services	21,729	21,626	1,229	20,397
Extracurricular activities	381,836	636,786	625,706	11,080
Capital outlay	41,524	914,021	274,709	639,312
Total expenditures	34,179,112	35,102,507	33,782,666	1,319,841
Excess of revenues over (under) expenditures	(4,024,585)	(4,943,335)	1,087,490	6,030,825
Other financing sources (uses):				
Proceeds from sale of capital assets	7,201	7,201	7,201	-
Refund of prior year expenditures	5,861	5,861	5,901	40
Refund of prior year receipts	(5,000)	(5,000)	(40)	4,960
Transfers out	(50,000)	(67,198)	(11,000)	56,198
Total other financing sources (uses)	(41,938)	(59,136)	2,062	61,198
Net change in fund balance	(4,066,523)	(5,002,471)	1,089,552	6,092,023
Fund balance at beginning of year	11,196,009	11,196,009	11,196,009	-
Prior year encumbrances appropriated	238,329	238,329	238,329	-
Fund balance at end of year	\$ 7,367,815	\$ 6,431,867	\$ 12,523,890	\$ 6,092,023

See accompanying notes to the basic financial statements.

Fremont City School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2012

	<u>Self Insurance</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,060,311
Accounts receivable	4,969
Total assets	<u>1,065,280</u>
Liabilities:	
Current liabilities:	
Claims payable	\$ 390,331
Total liabilities	<u>390,331</u>
Net assets:	
Unrestricted	674,949
Total liabilities and net assets	<u>\$ 1,065,280</u>

See accompanying notes to the basic financial statements.

Fremont City School District

*Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2012*

	<u>Self Insurance</u>
Operating revenues:	
Charges for services	\$ 3,886,213
Other revenues	76,906
Total operating revenues	<u>3,963,119</u>
Purchased services	821,394
Claims	4,239,684
Total operating expenses	<u>5,061,078</u>
Change in net assets	(1,097,959)
Net assets beginning of year	<u>1,772,908</u>
Net assets end of year	<u><u>\$ 674,949</u></u>

Fremont City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2012

	Self Insurance
Cash flows from operating activities:	
Cash received from other operating sources	\$ 76,906
Cash received for charges for services	3,886,213
Cash payments to suppliers for goods and services	(858,170)
Cash payments for claims	(4,412,017)
Net cash used for operating activities	(1,307,068)
Net decrease in cash and cash equivalents	(1,307,068)
Cash and cash equivalents at beginning of year	2,367,379
Cash and cash equivalents at end of year	\$ 1,060,311
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (1,097,959)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(769)
Increase (decrease) in liabilities:	
Accounts payable	(36,007)
Claims payable	(172,333)
Total adjustments	(209,109)
Net cash used for operating activities	\$ (1,307,068)

See accompanying notes to the basic financial statements.

Fremont City School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	Private Purpose Trusts	
	Endowment	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 49,781	\$ 91,857
Cash and cash equivalents in segregated accounts	248,224	-
Accrued interest receivable	2,275	-
Total assets	<u>300,280</u>	<u>\$ 91,857</u>
Liabilities:		
Accounts payable	\$ -	\$ 887
Due to students	-	90,970
Total liabilities	<u>-</u>	<u>\$ 91,857</u>
Net assets:		
Held in trust for scholarships	113,345	
Endowments	186,935	
Total net assets	<u>\$ 300,280</u>	

See accompanying notes to the basic financial statements.

Fremont City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
	Endowment
Additions:	
Interest	\$ 4,517
Gift and donations	27,005
Miscellaneous	4,719
Total additions	36,241
Deductions:	
Payments in accordance with trust agreements	6,665
Change in net assets	29,576
Net assets beginning of year	270,704
Net assets end of year	\$ 300,280

See accompanying notes to the basic financial statements.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred sixty-two square miles. It is located in central Sandusky County, including all of the City of Fremont and portions of surrounding townships. It is staffed by 159 classified employees, 289 certified teaching personnel, including 33 administrative employees who provide services to 4,437 students and other community members. The School District currently operates seven elementary schools, a middle school, and a comprehensive high school.

Reporting Entity

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

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

The following activity is included within the School District's reporting entity:

Parochial Schools -Within the School District boundaries, St. Ann, St. Joseph Elementary, and St. Joseph High School are operated through the Toledo Catholic Diocese; Sacred Heart is operated as a private school. Current state legislation provides funding to these parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund for financial reporting purposes by the School District.

Fremont City School District
Sandusky County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The School District participates in three jointly governed organizations. These organizations are the Northern Ohio Educational Computer Association, the Vanguard-Sentinel Career Center and the Ohio Schools Council. These organizations are presented in Note 18 to the basic financial statements.

The basic financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets 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 assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District has three major governmental funds:

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

Debt Service Fund: The bond retirement fund is a debt service fund and is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Classroom Facilities Fund – This fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The School District reports one type of proprietary fund:

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's Self Insurance internal service fund accounts for the activities of the program for employee health care benefits.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various staff-managed and student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its proprietary fund.

The private purpose trust funds are accounted for using a flow of economic resources measurement focus.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the proprietary fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, charges for services, and rent.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

**Fremont City School District
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are a report of estimated tax revenues, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The report of estimated tax revenues identifies the estimated revenues for those funds receiving tax monies as well as various debt and other schedules. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

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

F. Cash and Investments

Cash received by the School District is pooled in various bank accounts with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Also, the School District maintains segregated accounts for the special trust, and endowment funds, which is presented as "Investments in segregated accounts".

**Fremont City School District
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

During the fiscal year all investments were limited to certificates of deposit, instruments of government sponsored mortgage-backed securities, treasury notes and commercial paper. In addition, for 2012 the School District had an interest in STAROhio, the State Treasurer's Investment Pool.

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

G. Inventory

Inventory is presented at the lower of cost or market on a first-in, first-out basis and is expended/expensed when used. Inventory consists of donated and purchased food.

H. 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 enabling legislation. Unclaimed monies that must be held for five years before being spent are also reported as restricted. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance restriction.

I. Capital Assets

All of the School District's capital assets are general capital assets. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land improvements	5-7 years
Buildings and building improvements	5-75 years
Furniture, fixtures, and equipment	3-25 years
Vehicles	4-15 years

**Fremont City School District
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

J. Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Notes payable related to tax anticipation are reported on the fund financial statements and the statement of net assets. Bonds are recognized as a liability on the fund financial statements when due.

**Fremont City School District
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

M. Fund Balance

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

Nonspendable fund balance category 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” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

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

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

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

**Fremont City School District
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services in the internal service fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as nonoperating.

P. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government 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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Fund Balances	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>					
Inventory held for resale	\$ -	\$ -	\$ -	\$ 11,709	\$ 11,709
Materials and supplies inventory	-	-	-	781	781
Notes receivable	-	-	-	16,547	16,547
Total nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,037</u>	<u>29,037</u>
<u>Restricted for</u>					
Food service	-	-	-	1,456,805	1,456,805
Athletics and music	-	-	-	76,322	76,322
Other grants	-	-	-	20,924	20,924
Facilities maintenance	-	-	-	984,539	984,539
Scholarships and awards	-	-	-	118,457	118,457
Extended learning	-	-	-	7,392	7,392
Instructional programs	-	-	-	203,344	203,344
Staffing programs	-	-	-	34,597	34,597
Parochial schools	-	-	-	52,415	52,415
Fiscal stabilization	-	-	-	62	62
Debt service payments	-	979,615	-	-	979,615
Capital improvements	-	-	3,873,155	723,728	4,596,883
Total restricted	<u>-</u>	<u>979,615</u>	<u>3,873,155</u>	<u>3,678,585</u>	<u>8,531,355</u>
<u>Committed</u>					
Underground storage tanks	11,000	-	-	-	11,000
Local grants	4,610,058	-	-	-	4,610,058
Total committed	<u>4,621,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,621,058</u>
<u>Assigned</u>					
Public school support	140,136	-	-	-	140,136
Encumbrances	260,290	-	-	-	260,290
Next fiscal year budget	4,095,771	-	-	-	4,095,771
Total assigned	<u>4,496,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,496,197</u>
Unassigned	<u>4,592,725</u>	<u>-</u>	<u>-</u>	<u>(25,579)</u>	<u>4,567,146</u>
Total fund balances	<u>\$ 13,709,980</u>	<u>\$ 979,615</u>	<u>\$ 3,873,155</u>	<u>\$ 3,682,043</u>	<u>\$ 22,244,793</u>

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Change in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
	<u>General</u>
GAAP basis	\$ 545,041
Revenue accruals	579,792
Ajustment to fair market value for investments:	
Prior year amount	13,668
Current year amount	17,286
Expenditure accruals	288,474
Budgeted as part of special revenue fund:	
Revenues	(210,723)
Expenditures	262,350
Encumbrances (Budget Basis)	
outstanding at year end	<u>(406,336)</u>
Budget basis	<u>\$ 1,089,552</u>

**Fremont City School District
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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 monies to be deposited or invested in the following securities:

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

**Fremont City School District
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*Notes to the Basic Financial Statements
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7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

All interest is legally required to be placed in the general fund, and other funds as approved by a Board resolution. Interest revenue credited to the general fund during fiscal year 2012 amount to \$44,531, which includes \$20,804 assigned from other School District funds.

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of the School District's deposits was \$6,149,847. Of this balance \$102,091 in the special trust special revenue fund and \$248,224 in the endowment private purpose trust fund as "Investments in segregated accounts". The School District's bank balance of \$6,647,773 was not exposed to custodial risk.

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

B. Investments

As of June 30, the School District had the following investment and maturity:

**Fremont City School District
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*Notes to the Basic Financial Statements
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	<u>Fair</u> <u>Value</u>	<u>Maturity</u> <u>Date</u>	<u>Rating</u>
Investments included within <u>pooled funds:</u>			
Federal Farm Credit Bank	\$ 999,620	06/20/13	AAA ⁽¹⁾
Federal Farm Credit Bank	998,970	11/01/13	AAA ⁽¹⁾
Federal Home Loan Bank	1,000,040	09/06/13	AAA ⁽¹⁾
Treasury notes	1,005,660	09/15/13	AAA ⁽¹⁾
Federal Farm Credit Bank	1,000,000	09/06/13	AAA ⁽¹⁾
Federal Farm Credit Bank	1,000,750	12/19/13	AAA ⁽¹⁾
Tri-State Certificate of Deposit	200,000	12/06/12	AAA ⁽¹⁾
Tri-State Certificate of Deposit	250,000	07/05/12	AAA ⁽¹⁾
Waterford Certificate of Deposit	500,000	11/23/12	AAA ⁽¹⁾
STAROhio	9,704,894	52.5 ⁽²⁾	AAA ⁽¹⁾
Total investments	<u>\$ 16,659,934</u>		

⁽¹⁾ Standard and Poor's rating

⁽²⁾ Days (Average)

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in Federal Farm Credit Bank (FFCB), and Federal Home Loan Bank (FHLB) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5 percent of the School District's investments are in FFCB and FHLB. These investments are 14.38% and 57.50% respectively, of the School District total investments. The School District's policy places no limit on the amount that may be invested in any one issuer.

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*Notes to the Basic Financial Statements
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STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2012.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2012, consisted of accounts (rent, billings for user charged services, and student fees), intergovernmental, income taxes, accrued interest, amounts due from external parties, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Property taxes receivable	\$ 11,599,366
Income tax receivable	2,323,757
Debt Service Fund	
Property taxes receivable	1,183,563
Other Governmental Funds	
Property taxes receivable	818,415
Intergovernmental receivables:	
Food service	13,353
Education jobs	72,514
Title I: migrant	190,553
IDEA, Part B	79,582
Title III	4,807
Title I	173,799
Improving teach quality	24,814
Total Other Governmental Funds	<u>\$ 1,377,837</u>
Total Governmental Activities	<u><u>\$ 16,484,523</u></u>

**Fremont City School District
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*Notes to the Basic Financial Statements
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NOTE 6 - INCOME TAXES

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2009 and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 7 - PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. These payments are reported in the general fund.

NOTE 8 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years.

Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

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

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

The School District receives property taxes from Sandusky County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2012, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$1,645,841 in the general fund, was \$168,433 in the debt service fund and \$115,364 in the permanent improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On the modified accrual basis, the revenue is deferred. The assessed values upon which the fiscal year 2012 taxes were collected are:

	2012 First Half Collections		2011 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 553,914,980	95.52%	\$ 554,574,640	95.18%
Public utility	<u>25,977,600</u>	<u>4.48%</u>	<u>28,076,670</u>	<u>4.82%</u>
Total assessed value	<u>\$ 579,892,580</u>	<u>100.00%</u>	<u>\$ 582,651,310</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 35.55		\$ 35.55	

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2012</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 409,270	\$ -	\$ -	\$ 409,270
Construction in progress	<u>16,233,359</u>	<u>8,335,052</u>	<u>(229,713)</u>	<u>24,338,698</u>
Total nondepreciable capital assets	<u>16,642,629</u>	<u>8,335,052</u>	<u>(229,713)</u>	<u>24,747,968</u>
Depreciable capital assets				
Land and improvements	478,995	-	-	478,995
Buildings and building improvements	21,415,131	-	(871,753)	20,543,378
Furniture, fixtures, and equipment	1,678,189	245,556	(170,412)	1,753,333
Vehicles	<u>2,452,822</u>	<u>366,146</u>	<u>(77,781)</u>	<u>2,741,187</u>
Total depreciable capital assets	<u>26,025,137</u>	<u>611,702</u>	<u>(1,119,946)</u>	<u>25,516,893</u>
Less accumulated depreciation:				
Land and improvements	(276,716)	(27,464)	-	(304,180)
Buildings and building improvements	(9,403,992)	(384,694)	456,039	(9,332,647)
Furniture, fixtures, and equipment	(976,526)	(92,773)	131,479	(937,820)
Vehicles	<u>(1,913,679)</u>	<u>(190,070)</u>	<u>77,781</u>	<u>(2,025,968)</u>
Total accumulated depreciation	<u>(12,570,913)</u>	<u>(695,001)</u>	<u>665,299</u>	<u>(12,600,615)</u>
Depreciable capital assets, net				
Governmental activities	<u>13,454,224</u>	<u>(83,299)</u>	<u>(454,647)</u>	<u>12,916,278</u>
Capital assets, net	<u>\$ 30,096,853</u>	<u>\$ 8,251,753</u>	<u>\$ (684,360)</u>	<u>\$ 37,664,246</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 187,012
Special	23,477
Support services:	
Instructional staff	4,382
Administration	11,087
Operation and maintenance of plant	165,789
Pupil transportation	193,725
Operation of non-instructional services	29,008
Extracurricular activities	<u>80,521</u>
Total depreciation expense	<u>\$ 695,001</u>

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

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.

The School 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.

The School District offers medical, prescription drug, and dental insurance to all employees through a partially self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The School District purchased stop loss insurance for claims in excess of \$135,000 per individual annually and \$1,000,000 per individual, per lifetime. Settled claims have not exceeded this coverage for the past three years. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2012 were estimated by the third party administrator at \$390,331.

The changes in the claims liability for the past two fiscal years are as follow:

Fiscal Year	Beginnning Balance	Current Year Claims	Claims Payments	Ending Balance
2011	\$ 450,731	\$ 3,411,292	\$ 3,299,359	\$ 562,664
2012	\$ 562,664	\$ 4,239,684	\$ 4,412,017	\$ 390,331

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012, 12.70 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$533,962, \$522,090 and \$589,253 respectively; 60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

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

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

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

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$2,323,308, \$2,336,301 and \$2,106,802 respectively; 83.56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$83,006 made by the School District and \$59,290 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, several members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. 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 obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2012, 0.55 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 2012, this amount was \$35,800.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$92,790, \$132,996 and \$91,614 respectively; 87.08 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$31,533, \$33,598 and \$35,042 respectively; 60.00 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$178,716, \$179,715 and \$162,062 respectively; 83.56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 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 five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators 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 twenty-five days for administrators, supervisors, and classified supervisors; two hundred twenty days for teachers and school calendar employees; and two hundred fifty days for full-time classified employees. Upon retirement, payment is made for one half of accrued, but unused sick leave credit to a maximum of fifty-one days for teachers and thirty-five days for classified employees. Payment for administrators, supervisors, and classified supervisors is made for one fourth up to forty-seven days. In addition, classified employees receive one-half of accrued, but unused sick leave credit in excess of seventy days, up to a maximum of twelve days.

B. Health Care Benefits

The School District provides medical, prescription drug, and dental insurance benefits to all employees through a partially self-insured program.

C. Special Termination Benefits

The School District offers a special termination benefit to employees in the first year they are eligible to retire from their respective retirement system. The benefit is available to certified employees who have five or more years of consecutive service and retire from STRS and to classified employees who have seventeen or more years of consecutive service and retire from SERS. The bonus, of twenty days calculated at the employee's daily rate at the time of retirement, will be paid after January 1 and before March 31 of the year following retirement for certified employees and within sixty days of retirement acceptance for classified employees. The bonus carries a provision that classified employees must also have accrued in excess of one hundred fifty days of unused sick leave at the time of retirement.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Balance at <u>6/30/2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/2012</u>	Amount Due within <u>One Year</u>
Governmental Activities					
<u>General obligation bonds</u>					
2010 School facilities construction and improvement bonds					
Serial and term bonds	\$ 8,905,000	\$ -	\$ (185,000)	\$ 8,720,000	\$ 230,000
Capital appreciation bonds	239,877	-	-	239,877	-
Premium	106,261	-	(6,861)	99,400	-
Accretion on bonds	28,155	14,310	-	42,465	-
2009 School facilities construction and improvement bonds					
Serial and term bonds	8,480,000	-	(235,000)	8,245,000	240,000
Capital appreciation bonds	209,991	-	-	209,991	-
Premium	246,290	-	(15,677)	230,613	-
Accretion on bonds	<u>92,339</u>	<u>61,650</u>	<u>-</u>	<u>153,989</u>	<u>-</u>
Total general obligation bonds	<u>18,307,913</u>	<u>75,960</u>	<u>(442,538)</u>	<u>17,941,335</u>	<u>470,000</u>
Compensated absences	4,446,407	510,286	(648,206)	4,308,487	544,777
Capital leases	<u>9,239</u>	<u>-</u>	<u>(5,671)</u>	<u>3,568</u>	<u>3,568</u>
Total Long-term obligations	<u>\$ 22,763,559</u>	<u>\$ 586,246</u>	<u>\$ (1,096,415)</u>	<u>\$ 22,253,390</u>	<u>\$ 1,018,345</u>

In fiscal year 2010, the School District issued \$9,499,877 in general obligation bonds with a maturity date of July 15, 2037. The bonds are a combination of serial, term and capital appreciation bonds. The interest rates vary between 3% and 4.5% for serial bonds, 5% for term bonds and 18.80% for capital appreciation bonds. The bonds will be used to finance construction and improvements of school buildings and facilities. The principal payments began in fiscal year 2010.

On January 28, 2009 the School District issued \$9,134,991 in general obligation bonds with a maturity date of July 15, 2037. The bonds are a combination of serial, term and capital appreciation bonds. The interest rates vary between 3% and 3.125% for serial bonds, 3.875%-4.75% for term bonds and 19.446% for capital appreciation bonds. The bonds will be used to finance construction and improvements of school buildings and facilities. The principal payments began in fiscal year 2010.

Compensated absences will be paid from the general fund and the Food Service, and Title I special revenue funds.

The School District's overall debt margin was \$34,933,750 with an unvoted debt margin of \$581,651 at June 30, 2012.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 470,000	\$ 752,366	\$ 1,222,366
2014	485,000	738,266	1,223,266
2015	324,308	894,408	1,218,716
2016	318,655	897,861	1,216,516
2017	123,093	1,089,673	1,212,766
2018-2022	2,678,812	3,447,530	6,126,342
2023-2027	3,390,000	2,758,681	6,148,681
2028-2032	4,235,000	1,936,837	6,171,837
2033-2037	5,390,000	814,439	6,204,439
	<u>\$ 17,414,868</u>	<u>\$ 13,330,061</u>	<u>\$ 30,744,929</u>

NOTE 15 – CAPITALIZED LEASES – LESSEE DISCLOSURE

In a prior fiscal year, the School District entered into a lease agreement for a copier. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by generally accepted accounting standards, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$16,401, which is equal to the present value of the future minimum lease payments on the government-wide financial statements. Principal payments in the current fiscal year totaled \$5,671.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

<u>Fiscal Year</u>	<u>Lease Payments</u>
2013	\$ 3,683
Total minimum lease payments	3,683
Less: amount representing interest	(115)
Total	<u>\$ 3,568</u>

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 16 - SET ASIDES

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

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

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital <u>Improvements</u>
Balance June 30, 2011	\$ -
Current year set-aside requirement	731,076
Qualifying expenditures	(500,741)
Current year offsets	<u>(2,058,710)</u>
Balance June 30, 2012	\$ <u>(1,828,375)</u>
Balance carried forward to 2013	<u>\$ -</u>

Effective July 1, 2011, the textbook set aside is no longer required as the obligation was repealed by the 129th General Assembly in Amended Substitute House Bill 30.

NOTE 17 - DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust funds consist of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$186,935, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$113,345 and is reflected as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one 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 2012, the School District paid \$150,665 to NOECA for various services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

B. Vanguard-Sentinel Career Center

The Vanguard-Sentinel Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of two representatives from the Fremont City School District and one representative from the other thirteen participating school districts' elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Vanguard-Sentinel Career Center, Jay Valasek, who serves as Treasurer, 1306 Cedar Street, Fremont, Ohio 43420.

C. Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 161 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in 29 northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2012 the School District paid the Council \$84,460 for natural gas purchases. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

NOTE 19 – CONTRACTUAL COMMITMENTS

As of June 30, 2012, the School District has contractual commitments for the Middle School project in the amount of \$850,390.

Fremont City School District
Sandusky County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 20 - CONTINGENCIES

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District, if applicable, cannot be determined at this time nor does management believe any such disallowed claims will have a material adverse effect on the overall financial position of the School District at June 30, 2012.

NOTE 21 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, as permitted by subpart 2 of section A of the Elementary and Secondary Education Act (ESEA), consisted of the following:

Transfers from nonmajor governmental funds to:		
Nonmajor governmental funds	\$	2,263

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 22 - ACCOUNTABILITY

As of June 30, 2012, several funds had deficit fund balances. These deficits were caused by the application of GAAP; namely in the reporting of various liabilities attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The following funds had deficit balances:

	<u>Amount</u>
<u>Nonmajor special revenue funds:</u>	
Title III	\$ 65
IDEA, Part B	25,514

Fremont City School District
Schedule of Federal Awards Expenditures
For the Year Ending June 30, 2012

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Disbursements
<u>U.S. Department of Agriculture</u>			
Nutrition Cluster:			
Pass through Ohio Department of Education:			
National School Lunch Program	10.555	\$ 969,124	\$ 969,124
Breakfast Program	10.553	212,622	212,622
Summer Food Service Program	10.559	284	284
Direct Program:			
Non-Cash Assistance:			
National School Lunch Program - Food Commodities - Note 2	10.555	<u>112,155</u>	<u>112,155</u>
Total Nutrition Cluster		1,294,185	1,294,185
Pass through Ohio Department of Education:			
Federal Reimbursement - Supper Program	10.558	5,539	5,539
Team Nutrition	10.574	9,000	8,244
Fruit and Vegetable	10.582	<u>54,623</u>	<u>54,623</u>
Total U.S. Department of Agriculture		1,363,347	1,362,591
<u>U.S. Department of Education</u>			
Pass through Ohio Department of Education			
ESEA Title I, Part C, Migrant Education—State Grant Program			
Title I Migrant Worker- FY 11	84.011	178,690	195,568
Title I Migrant Worker- FY 12	84.011	<u>68,835</u>	<u>57,032</u>
Total Title I - Migrant Education		247,525	252,600
Education Jobs			
Education Jobs- FY 11	84.410	17,622	18,665
Education Jobs- FY 12	84.410	<u>429,432</u>	<u>418,019</u>
Total Education Jobs		447,054	436,684
Race to the Top			
Race to the Top-FY 11	84.395	389	2,162
Race to the Top-FY 12	84.395	62,689	54,527
Ohio My Voice-FY 12	84.395	<u>20,892</u>	<u>20,892</u>
Total Race to the Top		83,970	77,581
ESEA Title I, Part A, Title I Grants to Local Education Agencies			
Title I - N/D FY 11	84.010	2,766	3,336
Title I - N/D FY 12	84.010	33,490	33,178
Title I - Schoolwide FY 11	84.010	122,090	122,090
Title I - Schoolwide FY 12	84.010	986,694	959,349
ARRA - Title I FY 11	84.389	47,586	47,586
ARRA - Title I Homeless Assistance - FY 11	84.389	3,291	3,652
ARRA - Title I Delinquent FY 11	84.389	<u>1,366</u>	<u>1,562</u>
Total Title I - Grants to Local Education Agencies		1,197,283	1,170,753

Fremont City School District
Schedule of Federal Awards Expenditures - (continued)
For the Year Ending June 30, 2012

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Disbursements
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children			
Title VI - B - FY 11	84.027	\$ 20,458	\$ 21,128
Title VI - B - FY 12	84.027	999,660	1,034,573
ARRA - Title VI - B - 2011	84.391	<u>169,477</u>	<u>169,477</u>
Total Title VI - B		1,189,595	1,225,178
Drug - Free School Grant - FY11	84.186	0	2,570
ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act - 2011	84.394	0	16,074
Title II-D Technology - FY 11	84.318	9,239	32,074
Title III			
Title III LEP - FY 11	84.365	5,536	5,536
Title III LEP - FY 12	84.365	<u>48,600</u>	<u>46,910</u>
Total Title III		54,136	52,446
Title II-A			
Improvement Teacher Quality - FY11	84.367	54,905	52,080
Improvement Teacher Quality - FY12	84.367	167,330	166,666
Regional LPDC - FY11	84.367	<u>0</u>	<u>60</u>
Total Title II-A		222,235	218,806
21st Century			
21st Century	84.287	0	4,637
21st Century Innovation	84.287	<u>200,000</u>	<u>228,221</u>
Total 21st Century		<u>200,000</u>	<u>232,858</u>
Total U.S. Department of Education		3,651,037	3,717,624
<u>U.S. Department of Health & Human Services</u>			
Pass through Ohio Department of Administrative Services			
TANF - Summer Learning Initiative	93.110	<u>10,000</u>	<u>13,721</u>
Total U.S. Department of Health & Human Services		<u>10,000</u>	<u>13,721</u>
Total Federal Awards		<u>\$ 5,024,384</u>	<u>\$ 5,093,936</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

FREMONT CITY SCHOOL DISTRICT
Sandusky County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2012

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2012, the District had immaterial food commodities in inventory.

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

Fremont City School District
Sandusky County
500 West State Street, Suite A
Fremont, Ohio 43420

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

Charles E. Harris and Associates

Charles E. Harris and Associates, Inc.

January 18, 2013

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Fremont City School District
Sandusky County
500 West State Street, Suite A
Fremont, OH 43420

To the Board of Education:

Compliance

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

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

In our opinion, the Fremont City School District, Sandusky County, Ohio complied, in all material respects, with the requirements referred to above that directly and materially affect each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2012-FCSD-01.

Internal Control Over Compliance

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

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

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

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

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



CHARLES E. HARRIS & ASSOCIATES, INC.

January 18, 2013

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**Fremont City School District
Sandusky County
June 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	Yes
(d)(1)(vii)	<i>Major Programs:</i>	Special Education - CFDA #84.027 ARRA - Special Education - CFDA #84.391 Title I - CFDA #84.010 ARRA Title I - CFDA #84.389 Education Jobs Fund - CFDA #84.410
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

SCHEDULE OF FINDINGS – (continued)
OMB CIRCULAR A-133 SECTION .505

FREMONT CITY SCHOOL DISTRICT
SANDUSKY COUNTY
June 30, 2012

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

None.

3. FINDINGS FOR FEDERAL AWARDS

DEPARTMENT OF EDUCATION

FINDING NUMBER 2012-FCSD-01 Non-Compliance Citation

OMB Circular A-133 §___.320 states in part: “The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

We noted that the District did not certify its data collection form related to the fiscal year 2011 audit until July 2012.

We recommend that the District certify the data collection form within 30 days after the completion of the audit or nine months whichever is earlier.

Management Response:

The District is in agreement that certification of the 2010-2011 audit did not occur until July 2012. The District never received a data collection form to file in hard-copy format. Past data collection forms were hard copy forms delivered by mail. The 2010-2011 audit data collection form was an electronic form that had to be retrieved by the District and was only discovered after contact with their auditors.

The District will promptly certify the data collection form in future years.

**FREMONT CITY SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2012**

The prior audit report, for the year ending June 30, 2011, reported no material citations or recommendations.