



Dave Yost • Auditor of State

**FREMONT CITY SCHOOL DISTRICT
SANDUSKY COUNTY**

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FREMONT CITY SCHOOL DISTRICT
SANDUSKY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Fremont City School District
Sandusky County
500 West State Street, Suite A
Fremont, Ohio 43420-2580

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Fremont City School District, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Fremont City School District, Sandusky County, Ohio, as of June 30, 2015, and the respective changes in financial position and budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 24, 2016

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**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2015 are as follows:

- Net position of governmental activities increased \$464,902 from 2014.
- General revenues accounted for \$38,937,053 in revenue or 83.8% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants, contributions and interest accounted for \$7,505,194 or 16.2% of total revenues of \$46,442,247.
- The School District had \$45,977,345 in expenses related to governmental activities; only \$7,505,194 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$38,937,053 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 \$21,499,506, a decrease of \$923,938 from the prior fiscal year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements, notes to those statements and the required supplementary information. 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 position 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 is the most significant fund.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited*

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2015. These statements include all assets, liabilities, deferred inflows and outflows of resources 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 position and changes in this position. This change in net position 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 position 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 only major fund is the general 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.

Fremont City School District
Sandusky County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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.

The School District as a Whole

Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2015, the School District had an increase in net position of \$464,902.

Net investment in capital assets reported on the government-wide statements represents a portion of the School District's total net position. 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 position, \$7,554,729, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$3,143,605 or 41.6% is restricted for capital projects; \$735,972 or 9.7% is restricted for debt service payment; and \$3,675,152 or 48.7%, is restricted for other purposes. The remaining balance of net position of \$(45,752,559) is unrestricted.

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

Fremont City School District
Sandusky County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 1
Net Position

	Governmental Activities	
	<u>2015</u>	<u>Restated 2014</u>
Assets:		
Current and other assets	\$ 38,878,788	\$ 38,871,561
Capital assets, net	<u>30,975,662</u>	<u>31,398,735</u>
<i>Total assets, net</i>	<u>69,854,450</u>	<u>70,270,296</u>
Deferred outflows of resources:		
Pension	<u>3,795,184</u>	<u>3,050,791</u>
Liabilities:		
Current and other liabilities	5,665,428	5,127,400
Long-term liabilities:		
Due within one year	1,114,841	1,059,425
Due in more than one year		
Net pension liability	51,382,334	61,063,366
Other amounts	<u>19,684,425</u>	<u>20,317,406</u>
<i>Total liabilities</i>	<u>77,847,028</u>	<u>87,567,597</u>
Deferred inflows of resources:		
Property taxes	10,120,846	9,842,010
Pension	<u>9,305,378</u>	-
<i>Total deferred inflows of resources</i>	<u>19,426,224</u>	<u>9,842,010</u>
Net Position:		
Net investment in capital assets	14,574,212	14,652,044
Restricted	7,554,729	8,364,912
Unrestricted	<u>(45,752,559)</u>	<u>(47,105,476)</u>
<i>Total net position</i>	<u>\$ (23,623,618)</u>	<u>\$ (24,088,520)</u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. Users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. This implementation also had the effect of restating net position at June 30, 2014, from \$33,924,055 to \$(24,088,520). See Note 2 to the basic financial statements for further discussion on the implementation of GASB 68.

The School District's statement of activities prepared on an accrual basis of accounting includes an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

The School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in the statement of net position.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
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Table 2 reflects the changes in net position for fiscal year 2015 and 2014.

**Table 2
Change in Net Position**

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,015,091	\$ 1,808,861
Operating grants, contributions, and interest	5,488,676	5,927,142
Capital grants and contributions	1,427	749
General revenues:		
Property taxes	13,301,914	13,707,047
Income taxes	7,524,767	7,397,202
Grants and entitlements	17,892,931	16,810,078
Payment in lieu of taxes	44,320	712,520
Interest	90,632	105,808
Miscellaneous	82,489	131,515
<i>Total revenues</i>	<u>46,442,247</u>	<u>46,600,922</u>
Expenses:		
Instruction:		
Regular	19,315,996	19,397,945
Special	5,980,697	6,051,611
Vocational	4,717	2,951
Other	183,731	265,161
Support services:		
Pupils	2,769,135	2,591,091
Instructional staff	1,607,191	1,748,411
Board of education	57,527	47,022
Administration	3,368,264	3,379,495
Fiscal	838,659	799,632
Business	162,152	152,885
Operation of maintenance of plant	4,205,904	4,431,942
Pupil transportation	1,642,563	1,629,264
Central	699,414	606,838
Operation of non-instructional services	2,306,162	2,023,638
Extracurricular services	1,113,543	1,006,203
Interest and fiscal charges	846,895	832,960
Intergovernmental	874,795	-
<i>Total expenses</i>	<u>45,977,345</u>	<u>44,967,049</u>
<i>Change in net position</i>	<u>\$ 464,902</u>	<u>\$ 1,633,873</u>

Fremont City School District
Sandusky County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Change in Net Position

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 28.6 percent of total revenues for governmental activities for the School District in fiscal year 2015. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receives 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 2015, this revenue amounted to 16.2 percent of total revenues. Program revenues represented 16.2 percent of total revenues for fiscal year 2015. Program revenues generally represent tuition and fees, charges for extracurricular activities, and food service sales. As stated previously, general revenues were 83.8 percent of total revenues for fiscal year 2015, 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 2015 increased \$1,010,296 or 2.2 percent over 2014. The increase was due to an increase in intergovernmental expenses for the return of Ohio School Facilities funds not used.

The major program expenses for governmental activities are for instruction, which in 2015, accounted for 55.4 percent of all governmental expenses. Other programs which support the instruction process, including pupils support, instructional staff, and pupil transportation account for 13.1 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, of 9.1 percent.

As noted earlier, the program costs for fiscal year 2015 are comparable to the prior fiscal year with a 2.2 percent increase and the amount of program revenues provided to off-set these expenses decreased 3 percent. However, for the fiscal year end the School District is reporting an increase of \$464,902 in net position.

The non-instructional services program received a significant amount of program revenue. 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.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$3,050,791 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,190,331. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
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Total 2015 program expenses under GASB 68	\$ 45,977,345
Pension expense under GASB 68	(2,190,331)
2015 contractually required contribution	<u>3,310,378</u>
Adjusted 2015 program expenses	47,097,392
Total 2014 program expenses under GASB 27	<u>44,967,049</u>
Increase in program expenses not related to pension	<u>\$ 2,130,343</u>

As a result of GASB 68, the School District is reporting a significant net pension liability and related deferred inflows of resources which have a negative effect on net position. In addition, the School District is reporting deferred outflows of resources and a reduction of expenses related to pension for this fiscal year, which have a positive consequence on net position. This expense amount is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. These two amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of this new accounting standard on the School District's net position, additional information is presented below.

Net position	\$ (23,623,618)
Deferred outflows - pension	(3,795,184)
Deferred inflows - pension	9,305,378
Net pension liability	<u>51,382,334</u>
Net position without new standard	<u>\$ 33,268,910</u>
Impact of GASB 68 on net position, end of year	\$ (56,892,528)
Pension expense under GASB 68	2,190,331
Contractually required contribution	<u>(3,310,378)</u>
Impact of GASB 68 on net position, beginning of year	<u>\$ (58,012,575)</u>

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 only major fund is the general fund. Overall fund balances decreased for the current fiscal year. The decrease was most significant in the other governmental funds.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited*

**Table 3
Fund Balances**

	Fund Balance <u>June 30, 2015</u>	Fund Balance <u>June 30, 2014</u>	Increase/ (Decrease)	Percent <u>Change</u>
General	\$ 13,822,146	\$ 13,832,156	\$ (10,010)	(0.07)
Other governmental	<u>7,677,360</u>	<u>8,591,288</u>	<u>(913,928)</u>	(10.64)
Total	<u>\$ 21,499,506</u>	<u>\$ 22,423,444</u>	<u>\$ (923,938)</u>	

The School District's general fund revenues increased \$464,820 and expenditures increased \$2,846,751 from 2014. The most significant changes in revenues were an increase in income taxes, intergovernmental and tuition and fees revenues over the prior year. Total expenditures increased mainly in the area of instructional services.

**Table 4
Change in Financial Activities for the General Fund**

	2015 <u>Amount</u>	2014 <u>Amount</u>	Increase/ (Decrease)	Percent <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 11,684,419	\$ 11,906,367	\$ (221,948)	(1.86)
Income tax	7,524,767	7,397,202	127,565	1.72
Intergovernmental	18,485,805	17,384,859	1,100,946	6.33
Interest	90,632	105,808	(15,176)	(14.34)
Tuition and fees	1,015,222	833,928	181,294	21.74
Extracurricular activities	149,828	148,506	1,322	0.89
Gifts and donations	9,695	12,952	(3,257)	(25.15)
Charges for service	43,165	60,224	(17,059)	(28.33)
Rent	29,024	27,681	1,343	4.85
Payment in lieu of taxes	44,320	712,520	(668,200)	(93.78)
Miscellaneous	<u>139,757</u>	<u>161,767</u>	<u>(22,010)</u>	(13.61)
Total	<u>\$ 39,216,634</u>	<u>\$ 38,751,814</u>	<u>\$ 464,820</u>	
<u>Expenditures:</u>				
Instruction	24,187,763	22,567,908	1,619,855	7.18
Support services	13,924,024	12,998,989	925,035	7.12
Operation of non-instructional services	1,106	1,354	(248)	(18.32)
Extracurricular activities	826,564	713,442	113,122	15.86
Capital outlay	97,127	85,009	12,118	14.25
Intergovernmental	<u>176,869</u>	<u>-</u>	<u>176,869</u>	-
Total	<u>\$ 39,213,453</u>	<u>\$ 36,366,702</u>	<u>\$ 2,846,751</u>	

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited*

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 original and final budget basis revenue and other financing sources estimate was \$35,613,165. Actual revenue and other financing uses, however, were \$39,117,903 or \$3,504,738 more than originally anticipated.

The original and final expenditures and other financing uses estimate was \$40,167,550. Actual expenditures (including encumbrances) and other financing uses, however, were \$39,005,194 or \$1,162,356 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 2015, the School District had \$30,975,662 invested in various capitalized assets, net of depreciation. The table below shows fiscal year 2015 balances compared to fiscal year 2014.

**Table 5
Capital Assets, at Fiscal Year End
(Net of depreciation)**

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 409,270	\$ 409,270
Construction in progress	105,980	37,536
Land improvements	207,580	251,302
Buildings and improvements	28,771,647	29,336,090
Furniture, fixtures and equipment	958,513	941,594
Vehicles	<u>522,672</u>	<u>422,943</u>
Total capital assets	<u>\$ 30,975,662</u>	<u>\$ 31,398,735</u>

As stated above at the end of fiscal year 2015, the School District had \$30,975,662 invested in capital assets (net of accumulated depreciation), a decrease of \$423,073 from the prior year. This decrease is due to current year depreciation expense. The amount reported for vehicles of \$522,672 is approximately 18 percent of cost (\$2,882,890) 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 10 to the basic financial statements.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited*

Debt

The School District's outstanding debt at June 30, 2015, consisted of general obligation bonds (including unamortized bond premium and bond accretion), in the amount of \$16,808,212. The School District's long-term obligations also include compensated absences and net pension liability.

**Table 6
Outstanding Debt and Capital Lease, at Fiscal Year End**

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
General obligation bonds	\$ 16,808,212	\$ 17,176,733
Total outstanding	<u>\$ 16,808,212</u>	<u>\$ 17,176,733</u>

For further information regarding the School District's long-term obligations, refer to Note 15 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.

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 Amelia Gioffredo, Treasurer, Fremont City School District, 500 W. State Street, Suite A, Fremont, Ohio 43420.

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Fremont City School District
Sandusky County
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 21,720,320
Investments in segregated accounts	117,442
Inventory held for resale	22,495
Receivables:	
Accounts	58,310
Intergovernmental	532,941
Accrued interest	13,004
Property taxes	13,648,536
Income taxes	2,654,353
Notes	15,336
Prepaid items	96,051
Capital assets:	
Nondepreciable capital assets	515,250
Depreciable capital assets	42,299,654
Accumulated depreciation	(11,839,242)
Total capital assets	30,975,662
Total assets	69,854,450
Deferred outflows of resources:	
Pension	3,795,184
Liabilities:	
Accounts payable	347,990
Contracts payable	30,911
Accrued wages	2,993,510
Matured compensated absences payable	417,696
Intergovernmental payable	926,835
Accrued interest payable	328,403
Claims payable	313,931
Unearned revenue	306,152
Long-term liabilities:	
Due within one year	1,114,841
Due in more than one year:	
Net pension liability	51,382,334
Other amounts due in more than one year	19,684,425
Total liabilities	77,847,028
Deferred inflows of resources:	
Property taxes	10,120,846
Pension	9,305,378
Total deferred inflows of resources	19,426,224
Net position:	
Net investment in capital assets	14,574,212
Restricted for:	
Capital projects	3,143,605
Debt service	735,972
Other purposes	3,675,152
Unrestricted	(45,752,559)
Total net position	\$ (23,623,618)

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues		Capital Grants, Contributions and Interest	Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities:					
Instruction:					
Regular	\$ 19,315,996	\$ 905,556	\$ 1,446,458	\$ 1,427	\$ (16,962,555)
Special	5,980,697	101,597	1,138,875	-	(4,740,225)
Vocational	4,717	50,263	-	-	45,546
Other	183,731	-	127,295	-	(56,436)
Support services:					
Pupils	2,769,135	733	98,445	-	(2,669,957)
Instructional staff	1,607,191	36,813	511,515	-	(1,058,863)
Board of education	57,527	-	-	-	(57,527)
Administration	3,368,264	13,276	129,552	-	(3,225,436)
Fiscal	838,659	-	30,188	-	(808,471)
Business	162,152	-	-	-	(162,152)
Operation and maintenance of plant	4,205,904	29,024	40,159	-	(4,136,721)
Pupil transportation	1,642,563	-	17,526	-	(1,625,037)
Central	699,414	57,686	148,942	-	(492,786)
Operation of non-instructional services	2,306,162	441,594	1,790,333	-	(74,235)
Extracurricular activities	1,113,543	378,549	9,388	-	(725,606)
Interest and fiscal charges	846,895	-	-	-	(846,895)
Intergovernmental	874,795	-	-	-	(874,795)
Total governmental activities	<u>\$ 45,977,345</u>	<u>\$ 2,015,091</u>	<u>\$ 5,488,676</u>	<u>\$ 1,427</u>	<u>(38,472,151)</u>

General Revenues:

Property taxes levied for:		
General purposes		11,523,711
Debt service		1,082,386
Capital outlay		410,817
Capital facilities maintenance		285,000
Income taxes levied for general purposes		7,524,767
Grants and entitlements not restricted to specific programs		17,892,931
Payment in lieu of taxes		44,320
Investment earnings		90,632
Miscellaneous		82,489
Total general revenues		<u>38,937,053</u>
Change in net position		464,902
Net position beginning of year, restated		<u>(24,088,520)</u>
Net position end of year		<u>\$ (23,623,618)</u>

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County
Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 13,080,429	\$ 7,449,155	\$ 20,529,584
Investments in segregated accounts	-	117,442	117,442
Inventory held for resale	-	22,495	22,495
Receivables:			
Accounts	58,310	-	58,310
Intergovernmental	-	532,941	532,941
Accrued interest	12,882	122	13,004
Property taxes	11,796,284	1,852,252	13,648,536
Income taxes	2,654,353	-	2,654,353
Notes	-	15,336	15,336
Prepaid items	96,051	-	96,051
Total assets	<u>\$ 27,698,309</u>	<u>\$ 9,989,743</u>	<u>\$ 37,688,052</u>
Liabilities:			
Accounts payable	\$ 159,575	\$ 188,415	\$ 347,990
Contracts payable	23,464	7,447	30,911
Accrued wages	2,814,091	179,419	2,993,510
Matured compensated absences payable	406,455	11,241	417,696
Intergovernmental payable	836,955	89,880	926,835
Unearned revenue	-	306,152	306,152
Total liabilities	<u>4,240,540</u>	<u>782,554</u>	<u>5,023,094</u>
Deferred inflows of resources:			
Property taxes	8,749,331	1,371,515	10,120,846
Unavailable revenue	2,514	18,875	21,389
Unavailable revenue - delinquent property taxes	883,778	139,439	1,023,217
Total deferred inflows of resources	<u>9,635,623</u>	<u>1,529,829</u>	<u>11,165,452</u>
Fund balances:			
Nonspendable	96,051	15,336	111,387
Restricted	-	7,819,478	7,819,478
Committed	4,654,658	-	4,654,658
Assigned	450,067	-	450,067
Unassigned	8,621,370	(157,454)	8,463,916
Total fund balances	<u>13,822,146</u>	<u>7,677,360</u>	<u>21,499,506</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 27,698,309</u>	<u>\$ 9,989,743</u>	<u>\$ 37,688,052</u>

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total governmental fund balances		\$	21,499,506
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			30,975,662
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:			
Property taxes	\$	1,023,217	
Intergovernmental		18,875	
Tuition and fees		2,385	
Miscellaneous		129	
			1,044,606
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(328,403)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:			
Deferred outflows - pension		3,795,184	
Deferred inflows - pension		(9,305,378)	
Net pension liability		(51,382,334)	
			(56,892,528)
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	\$	(15,770,000)	
Capital appreciation bonds		(365,560)	
Accretion on bonds		(406,762)	
Premium on bonds		(265,890)	
Compensated absences		(3,991,054)	
Total			(20,799,266)
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 position.			876,805
Net position of governmental activities		\$	(23,623,618)

See accompanying notes to the basic financial statements.

**Fremont City School District
Sandusky County**

*Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds*

For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 11,684,419	\$ 1,803,894	\$ 13,488,313
Income tax	7,524,767	-	7,524,767
Intergovernmental	18,485,805	4,916,721	23,402,526
Interest	90,632	11,031	101,663
Tuition and fees	1,015,222	-	1,015,222
Extracurricular activities	149,828	276,585	426,413
Gifts and donations	9,695	9,418	19,113
Charges for services	43,165	434,138	477,303
Rent	29,024	-	29,024
Payment in lieu of taxes	44,320	-	44,320
Miscellaneous	139,757	5,949	145,706
Total revenues	39,216,634	7,457,736	46,674,370
Expenditures:			
Current:			
Instruction:			
Regular	19,278,060	677,955	19,956,015
Special	4,877,076	1,303,492	6,180,568
Vocational	4,717	-	4,717
Other	27,910	164,213	192,123
Support services:			
Pupils	2,747,220	108,168	2,855,388
Instructional staff	1,114,517	516,710	1,631,227
Board of education	56,059	-	56,059
Administration	3,332,699	138,892	3,471,591
Fiscal	759,174	79,880	839,054
Business	166,266	-	166,266
Operation and maintenance of plant	3,513,538	376,495	3,890,033
Pupil transportation	1,544,697	22,440	1,567,137
Central	689,854	16,327	706,181
Operation of non-instructional services	1,106	2,285,031	2,286,137
Extracurricular activities	826,564	240,069	1,066,633
Capital outlay	97,127	538,541	635,668
Debt service:			
Principal retirement	-	495,000	495,000
Interest and fiscal charges	-	723,716	723,716
Intergovernmental	176,869	697,926	874,795
Total expenditures	39,213,453	8,384,855	47,598,308
Excess of revenues over (under) expenditures	3,181	(927,119)	(923,938)
Other financing sources (uses):			
Transfers in	-	13,191	13,191
Transfers out	(13,191)	-	(13,191)
Total other financing sources (uses)	(13,191)	13,191	-
Net change in fund balances	(10,010)	(913,928)	(923,938)
Fund balances at beginning of year	13,832,156	8,591,288	22,423,444
Fund balances at end of year	\$ 13,822,146	\$ 7,677,360	\$ 21,499,506

See accompanying notes to the basic financial statements.

**Fremont City School District
Sandusky County**

*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, 2015*

Net change in fund balances - total governmental funds \$ (923,938)

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 the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	\$	635,668	
Depreciation expense		(1,056,541)	
Excess of depreciation expense over capital outlay			(420,873)

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. (2,200)

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	\$	(186,399)	
Intergovernmental		(48,238)	
Tuition and fees		2,385	
Miscellaneous		129	
Net change in deferred inflows of resources during the year			(232,123)

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows. 3,310,378

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,190,331)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 495,000

The amortization of bond premium and accretion is reflected as an expense in the statement of activities.

Premium	\$	20,933	
Bond accretion		(147,412)	
Total additional expenses			(126,479)

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:

Decrease in compensated absences	\$	209,044	
Decrease in accrued interest		3,300	
Total additional expenditures			212,344

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. 343,124

Change in net position of governmental activities \$ 464,902

See accompanying notes to the basic financial statements.

**Fremont City School District
Sandusky County**

*Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 9,989,085	\$ 9,989,085	\$ 11,691,781	\$ 1,702,696
Income tax	7,429,531	7,429,531	7,429,531	-
Intergovernmental	16,828,227	16,828,227	18,419,194	1,590,967
Interest	66,208	66,208	79,022	12,814
Tuition and fees	939,291	939,291	1,036,079	96,788
Rent	22,614	22,614	34,276	11,662
Extracurricular activities	94,994	94,994	101,964	6,970
Gifts and donations	1,398	1,398	45,718	44,320
Customer services	47,415	47,415	50,263	2,848
Miscellaneous	57,353	57,353	83,482	26,129
Total revenues	35,476,116	35,476,116	38,971,310	3,495,194
Expenditures:				
Current:				
Instruction:				
Regular	19,288,352	19,288,352	19,010,360	277,992
Special	4,914,960	4,914,960	4,807,009	107,951
Vocational	7,706	7,706	4,717	2,989
Other	66,411	66,411	31,577	34,834
Support services:				
Pupils	2,915,633	2,915,633	2,744,051	171,582
Instructional staff	1,179,322	1,179,322	1,097,369	81,953
Board of education	96,611	96,611	68,892	27,719
Administration	3,386,849	3,386,849	3,329,242	57,607
Fiscal	806,867	806,867	762,633	44,234
Business	174,738	174,738	169,829	4,909
Operation and maintenance of plant	4,034,294	4,034,294	3,845,323	188,971
Pupil transportation	1,602,801	1,602,801	1,580,522	22,279
Central	557,750	557,750	500,375	57,375
Operation of non-instructional services	1,464	1,464	1,106	358
Extracurricular activities	854,565	854,565	790,705	63,860
Capital outlay	172,700	172,700	154,957	17,743
Total expenditures	40,061,023	40,061,023	38,898,667	1,162,356
Excess of revenues over (under) expenditures	(4,584,907)	(4,584,907)	72,643	4,657,550
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	1	1
Refund of prior year expenditures	-	-	9,543	9,543
Refund of prior year receipts	(97)	(97)	(97)	-
Advances in	43,810	43,810	43,810	-
Transfers in	93,239	93,239	93,239	-
Transfers out	(106,430)	(106,430)	(106,430)	-
Total other financing sources (uses)	30,522	30,522	40,066	9,544
Net change in fund balance	(4,554,385)	(4,554,385)	112,709	4,667,094
Fund balance at beginning of year	12,012,386	12,012,386	12,012,386	-
Prior year encumbrances appropriated	266,348	266,348	266,348	-
Fund balance at end of year	\$ 7,724,349	\$ 7,724,349	\$ 12,391,443	\$ 4,667,094

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County
Statement of Fund Net Position
Internal Service Fund
June 30, 2015

	Self Insurance
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,190,736
 Liabilities:	
Current liabilities:	
Claims payable	313,931
 Net position:	
Unrestricted	876,805
Total liabilities and net position	\$ 1,190,736

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County

Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	Self Insurance
Operating revenues:	
Charges for services	\$ 4,871,499
Other revenues	129,651
Total operating revenues	5,001,150
Purchased services	886,390
Claims	3,771,636
Total operating expenses	4,658,026
Change in net position	343,124
Net position beginning of year	533,681
Net position end of year	\$ 876,805

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

		Self Insurance
Cash flows from operating activities:		
Cash received from other operating sources	\$	244,750
Cash received for charges for services		4,874,226
Cash payments to suppliers for goods and services		(954,305)
Cash payments for claims		(3,977,740)
		186,931
Net cash provided by operating activities		186,931
Net increase in cash and cash equivalents		186,931
Cash and cash equivalents at beginning of year		1,003,805
Cash and cash equivalents at end of year	\$	1,190,736
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	343,124
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable		118,082
Increase (decrease) in liabilities:		
Accounts payable		(68,171)
Claims payable		(206,104)
		(156,193)
Total adjustments		(156,193)
Net cash provided by operating activities	\$	186,931

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trusts	
	Endowment	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 38,220	\$ 101,324
Investments in segregated accounts	283,344	-
Receivables:		
Accrued interest receivable	374	-
Total assets	321,938	\$ 101,324
 Liabilities:		
Accounts payable	\$ -	\$ 3,818
Due to students	-	97,506
Total liabilities	-	\$ 101,324
 Net position:		
Held in trust for scholarships	138,030	
Endowments	183,908	
Total net position	\$ 321,938	

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
	Endowment
Additions:	
Interest	\$ 876
Miscellaneous	16,066
Total additions	16,942
Deductions:	
Payments in accordance with trust agreements	4,800
Change in net position	12,142
Net position beginning of year	309,796
Net position end of year	\$ 321,938

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, 2015*

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 168 classified employees, 287 certified teaching personnel, including 32 administrative employees who provide services to 4,229 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, Bishop Hoffman Catholic Schools are operated through the Toledo Catholic Diocese. 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.

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.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

The statement of net position 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.

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.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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 and deferred inflows of resources is reported as fund balance. The School District has one major governmental fund:

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

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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 and for money temporarily held for Ohio High School Athletic Association (OHSAA) tournaments.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

C. Measurement Focus

Government-Wide Financial Statements

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

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, current liabilities, and deferred inflows of resources 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, liabilities, and deferred outflows and inflows of resources associated with the operation of this fund are included on the statement of fund net position. The statement of revenues, expenses, and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. 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.

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 inflows of resources, and in the presentation of expenses versus expenditures.

**Fremont City School District
Sandusky County**

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For the Fiscal Year Ended June 30, 2015*

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 Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

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Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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".

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*Notes to the Basic Financial Statements
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During the fiscal year all investments were limited to certificates of deposit, instruments of government sponsored mortgage-backed securities, and treasury notes. In addition, for 2015 the School District had an interest in STAR Ohio, 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.

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 position 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

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*Notes to the Basic Financial Statements
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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 position.

K. Net pension liability and pension expense

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

The current accounting standard requires School District’s to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s net pension liability. Under the new standards, the net pension liability equals the School District’s proportionate share of each plan’s collective present value of estimated future pension benefits attributable to active and inactive employees’ past service minus plan assets available to pay these benefits.

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. The School District has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

L. 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.

M. 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. Bonds are recognized as a liability on the fund financial statements when due.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in 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, unless the use of the proceeds from the collection of those receivables is restricted, committed, or assigned.

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*Notes to the Basic Financial Statements
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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. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. 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 or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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.

O. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position 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.

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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 positions are available.

P. 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.

Q. 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.

R. 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 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$33,924,055
Adjustments:	
Net pension liability	(61,063,366)
Deferred outflow - payments subsequent to measurement date	<u>3,050,791</u>
Restated net position June 30, 2014	<u><u>(\$24,088,520)</u></u>

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*Notes to the Basic Financial Statements
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Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 3 – 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:

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Nonspendable</u>			
Notes receivable	\$ -	\$ 15,336	\$ 15,336
Prepays	96,051	-	96,051
Total nonspendable	<u>96,051</u>	<u>15,336</u>	<u>111,387</u>
<u>Restricted for</u>			
Food service	-	1,488,170	1,488,170
Athletics and music	-	181,958	181,958
Facilities maintenance	-	1,657,827	1,657,827
Scholarships and awards	-	136,741	136,741
Instructional programs	-	155,869	155,869
Parochial schools	-	130,372	130,372
Debt service payments	-	979,499	979,499
Capital improvements	-	3,089,042	3,089,042
Total restricted	<u>-</u>	<u>7,819,478</u>	<u>7,819,478</u>
<u>Committed</u>			
Underground storage tanks	11,000	-	11,000
Capital improvements	4,643,658	-	4,643,658
Total committed	<u>4,654,658</u>	<u>-</u>	<u>4,654,658</u>
<u>Assigned</u>			
Public school support	258,246	-	258,246
Encumbrances	169,308	-	169,308
Next fiscal year budget	22,513	-	22,513
Total assigned	<u>450,067</u>	<u>-</u>	<u>450,067</u>
Unassigned	<u>8,621,370</u>	<u>(157,454)</u>	<u>8,463,916</u>
Total fund balances	<u>\$ 13,822,146</u>	<u>\$ 7,677,360</u>	<u>\$ 21,499,506</u>

**Fremont City School District
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*Notes to the Basic Financial Statements
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NOTE 4 - 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	\$ (10,010)
Revenue accruals	110,548
Advances in	43,810
Adjustment to fair market value for investments:	
Prior year amount	(9,127)
Current year amount	18,952
Expenditure accruals	360,158
Budgeted as part of special revenue fund:	
Revenues	(262,914)
Expenditures	256,843
Encumbrances (Budget Basis)	
outstanding at year end	<u>(395,551)</u>
Budget basis	<u>\$ 112,709</u>

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NOTE 5 - 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 deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

1. United States Treasury bills, notes, bonds, or any other obligations or securities 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, 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 for a period not to exceed thirty days in 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

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7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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 2015 amount to \$90,632, which includes \$23,773 assigned from other School District funds.

A. Cash on Hand

At fiscal year-end, the School District had \$200 in undeposited cash on hand in various Board-approved change and petty cash accounts which is included as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of the School District’s deposits was \$4,209,142. Of this balance \$117,442 in the special trust special revenue fund and \$283,344 in the endowment private purpose trust fund are “Investments in segregated accounts”. The School District’s bank balance of \$4,429,060 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.

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*Notes to the Basic Financial Statements
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C. Investments

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

Investments included within <u>pooled funds:</u>	Fair <u>Value</u>	Single Issuer <u>Ratio</u>	Portfolio <u>Ratio</u>	Maturity <u>Date</u>	<u>Rating</u>
Federal Home Loan Bank	\$ 524,963			06/24/16	AA+ ⁽¹⁾
Federal Home Loan Bank	907,896			05/24/17	AA+ ⁽¹⁾
Federal Home Loan Bank	843,716			08/23/17	AA+ ⁽¹⁾
Federal Home Loan Bank	<u>1,083,405</u>			06/30/20	AA+ ⁽¹⁾
Total FHLB	<u>3,359,980</u>	38%	19%		
Federal Home Loan Mortgage Corporation	505,359			09/04/15	AA+ ⁽¹⁾
Federal Home Loan Mortgage Corporation	699,055			05/26/17	AA+ ⁽¹⁾
Federal Home Loan Mortgage Corporation	1,005,490			06/29/17	AA+ ⁽¹⁾
Federal Home Loan Mortgage Corporation	720,367			08/08/17	AA+ ⁽¹⁾
Federal Home Loan Mortgage Corporation	<u>700,833</u>			05/25/18	AA+ ⁽¹⁾
Total FHLMC	<u>3,631,104</u>	41%	20%		
Federal National Mortgage Association	901,251			03/30/16	AA+ ⁽¹⁾
Federal National Mortgage Association	<u>957,638</u>			02/08/18	AA+ ⁽¹⁾
Total FNMA	<u>1,858,889</u>	21%	10%		
Subtotal government sponsored securities and commercial paper	<u>8,849,973</u>	<u>100%</u>			
U.S. Treasury notes	520,244	⁽³⁾ N/A	3%	10/31/15	AA+ ⁽¹⁾
Tri-State Certificate of Deposit (CDARS)	400,000	⁽³⁾ N/A	2%	12/01/16	AA+ ⁽¹⁾
Tri-State Certificate of Deposit (CDARS)	250,000	⁽³⁾ N/A	1%	07/02/15	AA+ ⁽¹⁾
Waterford Certificate of Deposit (CDARS)	500,000	⁽³⁾ N/A	3%	11/19/15	AA+ ⁽¹⁾
STAROhio	<u>7,531,091</u>	N/A	<u>42%</u>	53.4 ⁽²⁾	AAAm ⁽¹⁾
Total investments	<u>\$ 18,051,308</u>		<u>100%</u>		

⁽¹⁾ Standard and Poor's rating

⁽²⁾ Days (Average)

⁽³⁾ Less than 5% single issuer

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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 National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) 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 FNMA, FHLMC, and FHLB. These investments are presented in the table above. The CDARS are from various banks and fully insured. The School District's policy places no limit on the amount that may be invested in any one issuer.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2015 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.

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A summary of the principal items of receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Property taxes	\$ 11,796,284
Income tax	2,654,353
Other Governmental Funds	
Property taxes	1,852,252
Intergovernmental:	
Race to the top	24,355
Title I -C	175,918
IDEA, Part B	52,000
Title III	6,101
Title I	164,551
Improving teacher quality	46,010
Miscellaneous Federal grants	<u>64,006</u>
Total other governmental funds	<u>\$ 2,385,193</u>
Total governmental activities	<u><u>\$ 16,835,830</u></u>

NOTE 7 - 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 renewed on January 1, 2014 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 8 - 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.

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NOTE 9 - 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 public utility) 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.

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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2015, 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 inflows of resources – property taxes.

The amount available as an advance at June 30, 2015, was \$2,163,175 in the general fund and was \$207,747 in the debt service fund and \$133,551 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 a deferred inflow of resources. The assessed values upon which the fiscal year 2015 taxes were collected are:

	2015 First Half Collections		2014 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 530,348,990	90.93%	\$ 524,078,320	91.03%
Public utility	<u>52,906,930</u>	<u>9.07%</u>	<u>51,628,770</u>	<u>8.97%</u>
Total assessed value	<u>\$ 583,255,920</u>	<u>100.00%</u>	<u>\$ 575,707,090</u>	<u>100.00%</u>

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NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance <u>7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2015</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 409,270	\$ -	\$ -	\$ 409,270
Construction in progress	<u>37,536</u>	<u>164,444</u>	<u>(96,000)</u>	<u>105,980</u>
Total nondepreciable capital assets	<u>446,806</u>	<u>164,444</u>	<u>(96,000)</u>	<u>515,250</u>
Depreciable capital assets				
Land improvements	641,571	-	-	641,571
Buildings and building improvements	36,512,769	168,050	-	36,680,819
Furniture, fixtures, and equipment	1,913,891	185,983	(5,500)	2,094,374
Vehicles	<u>2,669,699</u>	<u>213,191</u>	<u>-</u>	<u>2,882,890</u>
Total depreciable capital assets	<u>41,737,930</u>	<u>567,224</u>	<u>(5,500)</u>	<u>42,299,654</u>
Less accumulated depreciation:				
Land improvements	(390,269)	(43,722)	-	(433,991)
Buildings and building improvements	(7,176,679)	(732,493)	-	(7,909,172)
Furniture, fixtures, and equipment	(972,297)	(166,864)	3,300	(1,135,861)
Vehicles	<u>(2,246,756)</u>	<u>(113,462)</u>	<u>-</u>	<u>(2,360,218)</u>
Total accumulated depreciation	<u>(10,786,001)</u>	<u>(1,056,541)</u>	<u>3,300</u>	<u>(11,839,242)</u>
Depreciable capital assets, net				
Governmental activities	<u>30,951,929</u>	<u>(489,317)</u>	<u>(2,200)</u>	<u>30,460,412</u>
Capital assets, net	<u>\$ 31,398,735</u>	<u>\$ (324,873)</u>	<u>\$ (98,200)</u>	<u>\$ 30,975,662</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 381,258
Special	36,039
Support services:	
Pupils	4,104
Instructional staff	15,209
Board of education	1,889
Administration	7,105
Operation and maintenance of plant	384,364
Pupil transportation	107,534
Operation of non-instructional services	48,673
Extracurricular activities	<u>70,366</u>
Total depreciation expense	<u>\$ 1,056,541</u>

NOTE 11 - 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 \$150,000 per individual annually and unlimited 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, 2015 were estimated by the third party administrator at \$313,931.

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

Fiscal Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
2014	\$ 590,841	\$ 3,938,107	\$ 4,008,913	\$ 520,035
2015	\$ 520,035	\$ 3,771,636	\$ 3,977,740	\$ 313,931

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

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A. School Employee Retirement System

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before <u>August 1, 2017 *</u>	Eligible to Retire on or after <u>August 1, 2017</u>
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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

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

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

The School District’s contractually required contribution to SERS was \$685,506 for fiscal year 2015. Of this amount \$2,861 is reported as an intergovernmental payable.

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B. State Teachers Retirement System

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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

The School District's contractually required contribution to STRS was \$2,624,872 for fiscal year 2015. Of this amount \$416,053 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$8,834,382	\$42,547,952	\$51,382,334
Proportion of the net pension liability	0.174560%	0.1749256%	
Pension expense	\$518,335	\$1,671,996	\$2,190,331

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 75,190	\$ 409,616	\$ 484,806
School District contributions subsequent to the measurement date	<u>685,506</u>	<u>2,624,872</u>	<u>3,310,378</u>
Total deferred outflows of resources	<u>\$ 760,696</u>	<u>\$ 3,034,488</u>	<u>\$ 3,795,184</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 1,433,845</u>	<u>\$ 7,871,533</u>	<u>\$ 9,305,378</u>

\$3,310,378 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal		<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Year</u>				
2016	\$	(339,664)	\$ (1,865,479)	\$ (2,205,143)
2017		(339,664)	(1,865,479)	(2,205,143)
2018		(339,664)	(1,865,479)	(2,205,143)
2019		<u>(339,663)</u>	<u>(1,865,480)</u>	<u>(2,205,143)</u>
Total	\$	<u>(1,358,655)</u>	<u>\$ (7,461,917)</u>	<u>\$ (8,820,572)</u>

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3.25 percent
Future salary increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

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

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

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Cash	1.00 %	0.00 %
US stocks	22.50	5.00
Non-US stocks	22.50	5.50
Fixed income	19.00	1.50
Private equity	10.00	10.00
Real assets	10.00	5.00
Multi-asset strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

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

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

	1% Decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 12,604,038	\$8,834,382	\$5,663,776

Actuarial Assumptions - STRS

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

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

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

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

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

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<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Domestic equity	31.00 %	8.00 %
International equity	26.00	7.85
Alternatives	14.00	8.00
Fixed income	18.00	3.75
Real estate	10.00	6.75
Liquidity reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

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

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

	1% Decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 60,912,033	\$42,547,952	\$27,018,120

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, 2014, several members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$88,583.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$134,275, \$95,198, and \$91,945, respectively. For fiscal year 2015, 31.6 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$181,783, and \$178,012 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 14 - 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, 2015*

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	<u>Balance at</u> <u>6/30/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>6/30/2015</u>	<u>Amount</u> <u>Due within</u> <u>One Year</u>
Governmental Activities					
<u>General obligation bonds</u>					
2009B School facilities					
construction and improvement					
Serial and term bonds	\$ 8,255,000	\$ -	\$ (240,000)	\$ 8,015,000	\$ 250,000
Capital appreciation bonds	239,877	-	-	239,877	-
Premium	86,210	-	(6,321)	79,889	-
Accretion on bonds	112,475	39,832	-	152,307	-
2009A School facilities					
construction and improvement					
Serial and term bonds	7,755,000	-	-	7,755,000	-
Capital appreciation bonds	209,991	-	(84,308)	125,683	68,655
Premium	200,613	-	(14,612)	186,001	-
Accretion on bonds	<u>317,567</u>	<u>107,580</u>	<u>(170,692)</u>	<u>254,455</u>	<u>181,345</u>
Total general obligation bonds	<u>17,176,733</u>	<u>147,412</u>	<u>(515,933)</u>	<u>16,808,212</u>	<u>500,000</u>
 <u>Other long-term obligations</u>					
Compensated absences	<u>4,200,098</u>	<u>700,862</u>	<u>(909,906)</u>	<u>3,991,054</u>	<u>614,841</u>
 <u>Net pension liability</u>					
STRS	50,682,843	-	(8,134,891)	42,547,952	-
SERS	<u>10,380,523</u>	<u>-</u>	<u>(1,546,141)</u>	<u>8,834,382</u>	<u>-</u>
Total net pension liability	<u>61,063,366</u>	<u>-</u>	<u>(9,681,032)</u>	<u>51,382,334</u>	<u>-</u>
Total long-term obligations	<u>\$ 82,440,197</u>	<u>\$ 848,274</u>	<u>\$ (11,106,871)</u>	<u>\$ 72,181,600</u>	<u>\$ 1,114,841</u>

During 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 capital appreciation bonds mature in fiscal years 2017 and 2018 with par values of \$255,000 and \$260,000 respectively. The bonds will be used to finance construction and improvements of school buildings and facilities. The principal payments began in fiscal year 2010.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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 capital appreciation bonds mature in fiscal years 2015, 2016 and 2017 with par values of \$255,000, \$250,000 and \$250,000 respectively. The amount shown above as due within one year for the accretion on bonds includes the next semi-annual accreted amount to be taken on December 2015 when the bond comes due. 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 pays pension obligations related to employee compensation from the fund benefitting from their service.

The School District's overall debt margin was \$36,357,743 with an unvoted debt margin of \$583,256 at June 30, 2015.

Principal, compounded interest on capital appreciation bonds and interest requirements to retire the general obligation bonds outstanding at June 30, 2015, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Compounded</u>		<u>Total</u>
		<u>Interest</u>	<u>Interest</u>	
2016	\$ 318,655	\$ 181,345	\$ 716,516	\$ 1,216,516
2017	123,093	381,907	707,766	1,212,766
2018	428,812	86,188	707,766	1,222,766
2019	530,000	-	694,116	1,224,116
2020	550,000	-	675,235	1,225,235
2021-2025	3,115,000	-	3,025,383	6,140,383
2026-2030	3,865,000	-	2,296,615	6,161,615
2031-2035	4,890,000	-	1,301,433	6,191,433
2036-2037	2,315,000	-	170,750	2,485,750
	<u>\$ 16,135,560</u>	<u>\$ 649,440</u>	<u>\$ 10,295,580</u>	<u>\$ 27,080,580</u>

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. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent 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.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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.

	<u>Capital Improvements</u>
Balance June 30, 2014	\$ -
Current year set-aside requirement	718,174
Current year offsets	<u>(865,547)</u>
Balance June 30, 2015	<u>\$ (147,373)</u>
Balance carried forward to 2016	<u>\$ -</u>

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 \$183,908, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$138,030 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.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among local 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 2015, the School District paid \$200,979 to NOECA for various services. Financial information can be obtained from Matthew Bauer, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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 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, Alan Binger, 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 200 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-five northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member 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 2015 the School District paid the Council \$17,712 for life insurance, \$219,286 for natural gas purchases, and \$1,279 for membership fees. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District, 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, 2015.

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

B. Foundation Funding

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

NOTE 20 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015 consisted of the following:

Transfers from general fund to:		
Nonmajor governmental funds	\$	13,191

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 21 - ACCOUNTABILITY

As of June 30, 2015, the School District had several funds with a deficit fund balance. 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 a deficit balance:

	<u>Amount</u>
<u>Nonmajor special revenue funds:</u>	
IDEA, Part B	\$ 66,986
Title I - School improvement	33,983
Title III	9,408
Title I	38,570
Title II-A Improving teacher quality	8,507

**Fremont City School District
Sandusky County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 22 – CONTRACTUAL AND OTHER COMMITMENTS

As of June 30, 2015, the School District has contractual commitments for the High School cafeteria renovations in the amount of \$798,000.

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-end Encumbrances</u>
General fund	\$ 212,519
Other governmental	<u>1,141,812</u>
Total	<u>\$ 1,354,331</u>

NOTE 23 – SUBSEQUENT EVENTS

On September 21, 2015, the Board of Education authorized the issuance of bonds in an amount not to exceed \$14,735,000 for the purpose of refunding portions of the following outstanding bond issues: (1) \$9,134,990.60 School Facilities Construction and Improvement Bonds, dated January 28, 2009, and (2) \$9,499,877.10 School Facilities Construction and Improvement Bonds, dated July 9, 2009. 2009 B general obligation bonds were issued on December 1, 2015 at a variable interest rate of 1 to 4 percent, and mature on January 15, 2037. 2009 A general obligation bonds were issued on March 15, 2016 at a variable interest rate of 2 to 4 percent, and mature on January 15, 2037. Payments for both bonds are required semi-annually with interest.

Required Supplementary Information

Fremont City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	2014	2013
School Employees Retirement System (SERS) of Ohio		
School District's proportion of the net pension liability	0.174560%	0.174560%
School District's proportionate share of the net pension liability	\$ 8,834,382	\$ 10,380,523
School District's covered employee payroll	\$ 5,092,504	\$ 4,880,535
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	173.48%	212.69%
Plan fiduciary net position as a percentage of total pension liability	71.70%	65.52%
	2014	2013
State Teachers Retirement System (STRS) of Ohio		
School District's proportion of the net pension liability	0.1749256%	0.1749256%
School District's proportionate share of the net pension liability	\$ 42,547,952	\$ 50,682,843
School District's covered employee payroll	\$ 18,038,231	\$ 17,945,700
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	235.88%	282.42%
Plan fiduciary net position as a percentage of total pension liability	74.70%	69.30%

(1) Information prior to 2013 is not available and the amounts presented are as of the School District's measurement date which is the prior fiscal year end.

Fremont City School District
Required Supplementary Information
Schedule of School District Contributions
Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School Employees Retirement System (SERS) of Ohio			
Contractually required contribution	\$ 685,506	\$ 705,821	\$ 675,466
Contributions in relation to contractually required contribution	<u>(685,506)</u>	<u>(705,821)</u>	<u>(675,466)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 5,201,108	\$ 5,092,504	\$ 4,880,535
Contributions as a percentage of covered employee payroll	13.18%	13.86%	13.84%

	<u>2015</u>	<u>2014</u>	<u>2013</u>
State Teachers Retirement System (STRS) of Ohio			
Contractually required contribution	\$ 2,624,872	\$ 2,344,970	\$ 2,332,941
Contributions in relation to contractually required contribution	<u>(2,624,872)</u>	<u>(2,344,970)</u>	<u>(2,332,941)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 18,749,086	\$ 18,038,231	\$ 17,945,700
Contributions as a percentage of covered employee payroll	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available.

Fremont City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2015

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**FREMONT CITY SCHOOL DISTRICT
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
National School Lunch Program		
Non-Cash Assistance (Food Distribution)	10.555	\$ 138,161
Cash Assistance		997,527
Total National School Lunch Program		1,135,688
School Breakfast Program	10.553	210,380
Special Milk Program for Children	10.556	1,997
Summer Food Service Program for Children	10.559	23,250
		23,250
Total Nutrition Cluster		1,371,315
Child and Adult Care Food Program	10.558	2,801
		2,801
<i>Direct Program:</i>		
Farm to School Grant Program	10.575	7,743
		7,743
Total U.S. Department of Agriculture		1,381,859
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	84.010	1,153,714
Migrant Education_State Grant Program	84.011	232,131
Special Education_Grants to States	84.027	984,691
Special Education_Preschool Grants	84.173	25,740
		25,740
Total Special Education Cluster		1,010,431
Twenty-First Century Community Learning Centers	84.287	259,953
Rural Education	84.358	14,323
English Language Acquisition State Grants	84.365	28,443
Improving Teacher Quality State Grants	84.367	237,156
ARRA - State Fiscal Stabilization Fund	84.394	62
ARRA - Race to the Top Incentive Grants	84.395	48,271
		48,271
Total U. S. Department of Education		2,984,484
Total Federal Awards Expenditures		\$ 4,366,343

The accompanying notes are an integral part of this schedule.

**FREMONT CITY SCHOOL DISTRICT
SANDUSKY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditure Schedule (the Schedule) reports Fremont City School District (the District's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the District reports expenditures of Federal awards when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The District passed \$25,740 to a subrecipient.



Dave Yost • Auditor of State

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

Fremont City School District
Sandusky County
500 West State Street, Suite A
Fremont, Ohio 43420-2580

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Fremont City School District, Sandusky County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 24, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27* and also GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 24, 2016



Dave Yost • Auditor of State

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

Fremont City School District
Sandusky County
500 West State Street, Suite A
Fremont, Ohio 43420-2580

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Fremont City School District, Sandusky County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2015. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Fremont City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 24, 2016

**CITY OF FREMONT
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<p>Nutrition Cluster: CFDA #10.553 – School Breakfast Program; CFDA #10.555 – National School Lunch Program; CFDA #10.556 – Special Milk Program for Children; and CFDA #10.559 – Summer Food Service Program for Children</p> <p>CFDA #84.010 – Title I Grants to Local Educational Agencies</p> <p>Special Education Cluster: CFDA #84.027 – Special Education Grants to States CFDA #84.173 – Special Education Preschool Grants</p>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**FREMONT CITY SCHOOL DISTRICT
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Material Weakness due to significant errors in the Schedule of Federal Awards Receipts and Expenditures.	No	Partially Corrected. Repeated in the management letter.

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Dave Yost • Auditor of State

FREMONT CITY SCHOOL DISTRICT

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 7, 2016**