

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

**AUDIT REPORT**

**For the Year Ended June 30, 2014**



**FREMONT CITY SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

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## **INDEPENDENT AUDITORS' REPORT**

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Fremont City School District, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this include 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, each major fund and the aggregate remaining fund information of Fremont City School District, Sandusky County, Ohio, as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows and the 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.

### ***Other Matters***

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, 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 Award Receipts and Expenditures Schedule (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 not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule 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 January 30, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

***Charles E. Harris & Associates, Inc.***  
January 30, 2015

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
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, 2014. 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 2014 are as follows:

- Net position of governmental activities increased \$1,633,873 from 2013.
- General revenues accounted for \$38,864,170 in revenue or 83.4% 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 \$7,736,752 or 16.6% of total revenues of \$46,600,922.
- The School District had \$44,967,049 in expenses related to governmental activities; only \$7,736,752 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$38,864,170 were adequate to provide for these programs.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of \$22,423,444, an increase of \$2,207,071 from the prior fiscal year.

**Using the Basic Financial Statements**

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

The statement of net 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, 2014  
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**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 2014. 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 those assets. 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.

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

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013.

**Table 1  
Net Position**

	Governmental Activities	
	2014	2013
<b>Assets:</b>		
Current and other assets	\$ 38,871,561	\$ 38,435,879
Capital assets, net	31,398,735	32,102,087
<i>Total assets, net</i>	70,270,296	70,537,966
<b>Liabilities:</b>		
Current and other liabilities	5,127,400	6,094,466
Long-term liabilities	21,376,831	21,647,655
<i>Total liabilities</i>	26,504,231	27,742,121
<b>Deferred inflows of resources:</b>		
Property taxes	9,842,010	10,505,663
<b>Net Position:</b>		
Net investment in capital assets	14,652,044	17,232,473
Restricted	8,364,912	5,930,424
Unrestricted	10,907,099	9,127,285
<i>Total net position</i>	\$ 33,924,055	\$ 32,290,182

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School District's assets exceeded liabilities by \$33,924,055.

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, \$8,364,912, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$3,883,110 or 46.4% is restricted for capital projects; \$748,625 or 9% is restricted for debt service payment; and \$3,733,177 or 44.6%, is restricted for other purposes. The remaining balance of government-wide unrestricted net position of \$10,907,099 was sufficient to meet the government's ongoing obligations to students and staff.



**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

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

**Table 2  
Change in Net Position**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 1,808,861	\$ 1,807,199
Operating grants, contributions, and interest	5,927,142	5,341,058
Capital grants and contributions	749	68,320
General revenues:		
Property taxes	13,707,047	12,123,125
Income taxes	7,397,202	7,209,225
Grants and entitlements	16,810,078	15,836,282
Payment in lieu of taxes	712,520	712,520
Interest	105,808	23,528
Miscellaneous	131,515	254,505
<i>Total revenues</i>	<u>46,600,922</u>	<u>43,375,762</u>
Special item:		
Loss on disposal of capital asset	-	(5,592,095)
<i>Total revenues and special item</i>	<u>46,600,922</u>	<u>37,783,667</u>
<b>Expenses:</b>		
Instruction:		
Regular	19,397,945	19,040,730
Special	6,051,611	6,102,927
Vocational	2,951	109,303
Other	265,161	237,810
Support services:		
Pupils	2,591,091	2,542,356
Instructional staff	1,748,411	2,201,414
Board of education	47,022	67,830
Administration	3,379,495	3,249,380
Fiscal	799,632	795,760
Business	152,885	153,085
Operation of maintenance of plant	4,431,942	4,170,792
Pupil transportation	1,629,264	1,673,877
Central	606,838	529,726
Operation of non-instructional services	2,023,638	2,104,721
Extracurricular services	1,006,203	973,516
Interest and fiscal charges	832,960	835,053
<i>Total expenses</i>	<u>44,967,049</u>	<u>44,788,280</u>

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
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 29.4 percent of total revenues for governmental activities for the School District in fiscal year 2014. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The School District has an income tax which is also a critical revenue used to support operations. For 2014, this revenue amounted to 15.9 percent of total revenues.

Program revenues represented 16.6 percent of total revenues for fiscal year 2014. Program revenues generally represent tuition and fees, charges for extracurricular activities, and food service sales.

As stated previously, general revenues were 83.4 percent of total revenues for fiscal year 2014, 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 2014 increased \$178,769 or 0.4 percent over 2013. The increase was not attributed to one specific line item.

The major program expenses for governmental activities are for instruction, which in 2014, accounted for 57.2 percent of all governmental expenses. Other programs which support the instruction process, including pupils support, instructional staff, and pupil transportation account for 13.3 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, of 9.9 percent.

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

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction:				
Regular	\$ 19,397,945	\$ 19,040,730	\$ (17,271,461)	\$ (17,809,807)
Special	6,051,611	6,102,927	(4,597,045)	(4,608,933)
Vocational	2,951	109,303	9,622	(97,649)
Other	265,161	237,810	(47,433)	(85,378)
Support services:				
Pupils	2,591,091	2,542,356	(2,456,839)	(2,207,741)
Instructional staff	1,748,411	2,201,414	(1,046,783)	(1,084,621)
Board of education	47,022	67,830	(47,022)	(67,830)
Administration	3,379,495	3,249,380	(3,228,236)	(3,130,976)
Fiscal	799,632	795,760	(760,942)	(771,667)
Buisness	152,885	153,085	(152,885)	(153,085)
Operation and maintenance of plant	4,431,942	4,170,792	(4,359,857)	(4,116,399)
Pupil transportation	1,629,264	1,673,877	(1,596,586)	(1,649,906)
Central	606,838	529,726	(387,682)	(529,726)
Operation of non-instructional services	2,023,638	2,104,721	183,044	177,814
Extracurricular services	1,006,203	973,516	(637,232)	(600,746)
Interest and fiscal charges	832,960	835,053	(832,960)	(835,053)
<i>Total expenses</i>	<u>\$ 44,967,049</u>	<u>\$ 44,788,280</u>	<u>\$ (37,230,297)</u>	<u>\$ (37,571,703)</u>

As noted earlier, the program costs for fiscal year 2014 are comparable to the prior fiscal year with a 0.4 percent increase. In addition to the increase in program costs, the amount of program revenues provided to off-set these expenses also increased 7.2 percent.

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

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

**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 increased for the current fiscal year. The increase was most significant in the general fund.

**Table 4  
Fund Balances**

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
General	\$ 13,832,156	\$ 11,647,097	\$ 2,185,059	18.76
Other governmental	<u>8,591,288</u>	<u>8,569,276</u>	<u>22,012</u>	0.26
Total	<u>\$ 22,423,444</u>	<u>\$ 20,216,373</u>	<u>\$ 2,207,071</u>	

The School District's general fund revenues increased \$3,484,370 and expenditures decreased \$964,049 from 2013. The most significant changes in revenues were an increase in taxes and intergovernmental revenues over the prior year. Total expenditures decreased mainly in the area of instructional services.

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

**Table 5  
Change in Financial Activities for the General Fund**

	2014 <u>Amount</u>	2013 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 11,906,367	\$ 10,415,041	\$ 1,491,326	14.32
Income tax	7,397,202	7,209,225	187,977	2.61
Intergovernmental	17,384,859	15,706,791	1,678,068	10.68
Interest	105,808	23,526	82,282	349.75
Tuition and fees	833,928	783,493	50,435	6.44
Extracurricular activities	148,506	148,156	350	0.24
Gifts and donations	12,952	14,851	(1,899)	(12.79)
Charges for service	60,224	53,969	6,255	11.59
Rent	27,681	23,176	4,505	19.44
Payment in lieu of taxes	712,520	712,520	-	-
Miscellaneous	<u>161,767</u>	<u>176,696</u>	<u>(14,929)</u>	<u>(8.45)</u>
Total	<u>\$ 38,751,814</u>	<u>\$ 35,267,444</u>	<u>\$ 3,484,370</u>	
<b><u>Expenditures:</u></b>				
Instruction	22,567,908	23,318,232	(750,324)	(3.22)
Support services	12,998,989	12,958,349	40,640	0.31
Operation of non-instructional services	1,354	2,245	(891)	(39.69)
Extracurricular activities	713,442	681,192	32,250	4.73
Capital outlay	85,009	367,050	(282,041)	(76.84)
Debt service	<u>-</u>	<u>3,683</u>	<u>(3,683)</u>	<u>(100.00)</u>
Total	<u>\$ 36,366,702</u>	<u>\$ 37,330,751</u>	<u>\$ (964,049)</u>	

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
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 \$30,656,954. Actual revenue and other financing uses, however, were \$37,836,972 or \$7,180,018 more than anticipated.

The original expenditures and other financing uses estimate of \$38,890,436 was revised during the fiscal year to the final amount of \$39,343,314. Actual expenditures (including encumbrances) and other financing uses, however, were \$37,473,957 or \$1,869,357 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 2014, the School District had \$31,398,735 invested in various capitalized assets, net of depreciation. The table below shows fiscal year 2014 balances compared to fiscal year 2013.

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 409,270	\$ 409,270
Construction in progress	37,536	122,841
Land improvements	251,302	295,024
Buildings and improvements	29,336,090	29,871,477
Furniture, fixtures and equipment	941,594	837,927
Vehicles	422,943	565,548
Total capital assets	<u>\$ 31,398,735</u>	<u>\$ 32,102,087</u>

As stated above at the end of fiscal year 2014, the School District had \$31,398,735 invested in capital assets (net of accumulated depreciation), a decrease of \$703,352 from the prior year. This decrease is due to current year depreciation expense. The amount reported for vehicles of \$422,943 is approximately 16 percent of cost (\$2,669,699) which indicates the vehicles (mainly buses) are significantly depreciated and soon to be replaced or repaired. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

Debt

The School District's outstanding debt at June 30, 2014, consisted of general obligation bonds (including unamortized bond premium and bond accretion), in the amount of \$17,176,733. The School District's long-term obligations also include compensated absences.

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

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
General obligation bonds	\$ 17,176,733	\$ 17,560,370
Total outstanding	<u>\$ 17,176,733</u>	<u>\$ 17,560,370</u>

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

**Current Issues**

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

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

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

**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 James Estle, Treasurer, Fremont City School District, 500 W. State Street, Suite A, Fremont, Ohio 43420.

**Fremont City School District**

*Statement of Net Position*

*June 30, 2014*

	Governmental Activities
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 22,104,566
Investments in segregated accounts	116,888
Inventory held for resale	12,703
Receivables:	
Accounts	257,260
Intergovernmental	228,410
Accrued interest	11,538
Property taxes	13,565,320
Income taxes	2,559,117
Notes	15,759
Capital assets:	
Nondepreciable capital assets	446,806
Depreciable capital assets	41,737,930
Accumulated depreciation	(10,786,001)
Total capital assets	31,398,735
Total assets	70,270,296
<b>Liabilities:</b>	
Accounts payable	251,331
Contracts payable	37,536
Accrued wages	2,895,040
Matured compensated absences payable	87,640
Intergovernmental payable	924,125
Accrued interest payable	331,703
Claims payable	520,035
Unearned revenue	79,990
Long-term liabilities:	
Due within one year	1,059,425
Due in more than one year	20,317,406
Total liabilities	26,504,231
<b>Deferred inflows of resources:</b>	
Property taxes	9,842,010
<b>Net position:</b>	
Net investment in capital assets	14,652,044
Restricted for:	
Capital projects	3,883,110
Debt service	748,625
Other purposes	3,733,177
Unrestricted	10,907,099
Total net position	\$ 33,924,055

See accompanying notes to the basic financial statements.



**Fremont City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Capital Grants, Contributions and Interest	Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Interest		
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 19,397,945	\$ 744,130	\$ 1,381,605	\$ 749	\$ (17,271,461)
Special	6,051,611	133,835	1,320,731	-	(4,597,045)
Vocational	2,951	12,573	-	-	9,622
Other	265,161	-	217,728	-	(47,433)
Support services:					
Pupils	2,591,091	9,120	125,132	-	(2,456,839)
Instructional staff	1,748,411	40,030	661,598	-	(1,046,783)
Board of education	47,022	-	-	-	(47,022)
Administration	3,379,495	1,942	149,317	-	(3,228,236)
Fiscal	799,632	-	38,690	-	(760,942)
Business	152,885	-	-	-	(152,885)
Operation and maintenance of plant	4,431,942	27,681	44,404	-	(4,359,857)
Pupil transportation	1,629,264	-	32,678	-	(1,596,586)
Central	606,838	51,304	167,852	-	(387,682)
Operation of non-instructional services	2,023,638	452,633	1,754,049	-	183,044
Extracurricular activities	1,006,203	335,613	33,358	-	(637,232)
Interest and fiscal charges	832,960	-	-	-	(832,960)
Total governmental activities	<u>\$ 44,967,049</u>	<u>\$ 1,808,861</u>	<u>\$ 5,927,142</u>	<u>\$ 749</u>	<u>(37,230,297)</u>

**General Revenues:**

Property taxes levied for:	
General purposes	11,838,956
Debt service	1,143,591
Capital outlay	720,670
Capital facilities maintenance	3,830
Income taxes levied for general purposes	7,397,202
Grants and entitlements not restricted to specific programs	16,810,078
Payment in lieu of taxes	712,520
Investment earnings	105,808
Miscellaneous	131,515
Total general revenues	<u>38,864,170</u>
Change in net position	1,633,873
Net position beginning of year	<u>32,290,182</u>
Net position end of year	<u>\$ 33,924,055</u>

See accompanying notes to the basic financial statements.

**Fremont City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 12,552,491	\$ 8,548,270	\$ 21,100,761
Investments in segregated accounts	-	116,888	116,888
Inventory held for resale	-	12,703	12,703
Receivables:			
Accounts	124,451	14,727	139,178
Intergovernmental	66,131	162,279	228,410
Accrued interest	11,104	434	11,538
Interfund	43,810	-	43,810
Property taxes	11,721,008	1,844,312	13,565,320
Income taxes	2,559,117	-	2,559,117
Notes	-	15,759	15,759
Total assets	<u>\$ 27,078,112</u>	<u>\$ 10,715,372</u>	<u>\$ 37,793,484</u>
<b>Liabilities:</b>			
Accounts payable	\$ 119,844	\$ 63,316	\$ 183,160
Contracts payable	-	37,536	37,536
Accrued wages	2,732,071	162,969	2,895,040
Matured compensated absences payable	81,084	6,556	87,640
Interfund payable	-	43,810	43,810
Intergovernmental payable	762,486	161,639	924,125
Unearned revenue	-	79,990	79,990
Total liabilities	<u>3,695,485</u>	<u>555,816</u>	<u>4,251,301</u>
<b>Deferred inflows of resources:</b>			
Property taxes	8,505,985	1,336,025	9,842,010
Unavailable revenue	-	67,113	67,113
Unavailable revenue - delinquent property taxes	1,044,486	165,130	1,209,616
Total deferred inflows of resources	<u>9,550,471</u>	<u>1,568,268</u>	<u>11,118,739</u>
<b>Fund balances:</b>			
Nonspendable	-	15,759	15,759
Restricted	-	8,611,761	8,611,761
Committed	5,293,004	-	5,293,004
Assigned	6,984,385	-	6,984,385
Unassigned	1,554,767	(36,232)	1,518,535
Total fund balances	<u>13,832,156</u>	<u>8,591,288</u>	<u>22,423,444</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 27,078,112</u>	<u>\$ 10,715,372</u>	<u>\$ 37,793,484</u>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities*  
 June 30, 2014

<b>Total governmental fund balances</b>		\$ 22,423,444
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.		31,398,735
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 1,209,616	
Intergovernmental	67,113	
		1,276,729
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(331,703)
Long-term liabilities, including general obligation bonds and compensated absences are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (16,010,000)	
Capital appreciation bonds	(449,868)	
Accretion on bonds	(430,042)	
Premium on bonds	(286,823)	
Compensated absences	(4,200,098)	
Total		(21,376,831)
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.		533,681
Net position of governmental activities		\$ 33,924,055

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Revenues, Expenditures  
and Changes in Fund Balances*  
*Governmental Funds*  
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 11,906,367	\$ 1,881,922	\$ 13,788,289
Income tax	7,397,202	-	7,397,202
Intergovernmental	17,384,859	5,296,830	22,681,689
Interest	105,808	5,786	111,594
Tuition and fees	833,928	-	833,928
Extracurricular activities	148,506	233,925	382,431
Gifts and donations	12,952	60,495	73,447
Charges for services	60,224	447,186	507,410
Rent	27,681	-	27,681
Payment in lieu of taxes	712,520	-	712,520
Miscellaneous	161,767	4,657	166,424
<b>Total revenues</b>	<b>38,751,814</b>	<b>7,930,801</b>	<b>46,682,615</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	17,839,320	892,189	18,731,509
Special	4,684,903	1,286,440	5,971,343
Vocational	2,951	-	2,951
Other	40,734	224,381	265,115
Support services:			
Pupils	2,513,683	124,604	2,638,287
Instructional staff	1,199,092	652,160	1,851,252
Board of education	40,094	5,668	45,762
Administration	3,219,211	155,472	3,374,683
Fiscal	764,021	83,185	847,206
Business	150,642	-	150,642
Operation and maintenance of plant	3,101,191	1,033,253	4,134,444
Pupil transportation	1,444,178	30,632	1,474,810
Central	566,877	16,073	582,950
Operation of non-instructional services	1,354	1,972,023	1,973,377
Extracurricular activities	713,442	211,684	925,126
Capital outlay	85,009	198,812	283,821
Debt service:			
Principal retirement	-	485,000	485,000
Interest and fiscal charges	-	738,266	738,266
<b>Total expenditures</b>	<b>36,366,702</b>	<b>8,109,842</b>	<b>44,476,544</b>
Excess of revenues over (under) expenditures	2,385,112	(179,041)	2,206,071
<b>Other financing sources (uses):</b>			
Proceeds from sale of capital assets	1,000	-	1,000
Transfers in	-	201,053	201,053
Transfers out	(201,053)	-	(201,053)
<b>Total other financing sources (uses)</b>	<b>(200,053)</b>	<b>201,053</b>	<b>1,000</b>
Net change in fund balances	2,185,059	22,012	2,207,071
Fund balances at beginning of year	11,647,097	8,569,276	20,216,373
Fund balances at end of year	<u>\$ 13,832,156</u>	<u>\$ 8,591,288</u>	<u>\$ 22,423,444</u>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

**Net change in fund balances - total governmental funds** \$ 2,207,071

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	\$ 283,821	
Depreciation expense	(960,485)	
Excess of depreciation expense over capital outlay		(676,664)

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. (26,688)

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	\$ (81,242)	
Intergovernmental	1,870	
Charges for services	(128)	
Tuition and fees	(325)	
Miscellaneous	(1,868)	
Net change in deferred inflows of resources during the year		(81,693)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 485,000

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

Premium	\$ 21,273	
Bond accretion	(122,636)	
Total additional expenses		(101,363)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	\$ (112,813)	
Decrease in accrued interest	6,669	
Total additional expenditures		(106,144)

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. (65,646)

Change in net position of governmental activities \$ 1,633,873

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual - General Fund  
 For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property taxes	\$ 9,093,478	\$ 9,093,478	\$ 11,228,805	\$ 2,135,327
Income tax	6,058,752	6,058,752	7,481,465	1,422,713
Intergovernmental	13,902,499	13,902,499	17,167,076	3,264,577
Interest	57,199	57,199	70,630	13,431
Tuition and fees	647,281	647,281	799,275	151,994
Rent	17,606	17,606	21,740	4,134
Extracurricular activities	82,351	82,351	101,688	19,337
Gifts and donations	579,048	579,048	715,020	135,972
Customer services	41,023	41,023	50,656	9,633
Miscellaneous	91,708	91,708	111,691	19,983
<b>Total revenues</b>	<b>30,570,945</b>	<b>30,570,945</b>	<b>37,748,046</b>	<b>7,177,101</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	21,996,390	21,576,394	17,892,577	3,683,817
Special	4,525,407	4,432,316	4,901,747	(469,431)
Vocational	82,282	83,462	30,565	52,897
Student Intervention Services	71,075	150,000	37,987	112,013
Other	56,875	8,125	-	8,125
Support services:				
Pupils	1,636,940	2,170,784	2,517,951	(347,167)
Instructional staff	911,665	949,573	1,188,577	(239,004)
Board of education	78,501	117,069	66,203	50,866
Administration	2,722,088	2,748,043	3,266,723	(518,680)
Fiscal	703,759	729,338	784,816	(55,478)
Business	141,430	139,960	153,541	(13,581)
Operation and maintenance of plant	3,502,800	3,589,183	3,609,453	(20,270)
Pupil transportation	1,226,880	1,251,216	1,464,232	(213,016)
Central	493,252	473,386	499,161	(25,775)
Operation of non-instructional services	3,758	3,758	1,354	2,404
Extracurricular activities	621,228	634,104	747,647	(113,543)
Capital outlay	12,106	59,144	-	59,144
<b>Total expenditures</b>	<b>38,786,436</b>	<b>39,115,855</b>	<b>37,162,534</b>	<b>1,953,321</b>
Excess of revenues over (under) expenditures	(8,215,491)	(8,544,910)	585,512	9,130,422
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	1,000	1,000	1,000	-
Refund of prior year expenditures	21,366	21,366	24,283	2,917
Refund of prior year receipts	(4,000)	(4,000)	(2,917)	1,083
Advances out	-	-	(43,810)	(43,810)
Transfers in	63,643	63,643	63,643	-
Transfers out	(100,000)	(223,459)	(264,696)	(41,237)
<b>Total other financing sources (uses)</b>	<b>(17,991)</b>	<b>(141,450)</b>	<b>(222,497)</b>	<b>(81,047)</b>
<b>Net change in fund balance</b>	<b>(8,233,482)</b>	<b>(8,686,360)</b>	<b>363,015</b>	<b>9,049,375</b>
Fund balance at beginning of year	11,061,396	11,061,396	11,061,396	-
Prior year encumbrances appropriated	587,975	587,975	587,975	-
<b>Fund balance at end of year</b>	<b>\$ 3,415,889</b>	<b>\$ 2,963,011</b>	<b>\$ 12,012,386</b>	<b>\$ 9,049,375</b>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Fund Net Position*  
*Internal Service Fund*  
*June 30, 2014*

	Self Insurance
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 1,003,805
Accounts receivable	118,082
Total assets	1,121,887
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 68,171
Claims payable	520,035
Total liabilities	588,206
 <b>Net position:</b>	
Unrestricted	533,681
Total liabilities and net position	\$ 1,121,887

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Self Insurance
<b>Operating revenues:</b>	
Charges for services	\$ 4,548,493
Other revenues	114,207
Total operating revenues	4,662,700
Purchased services	790,239
Claims	3,938,107
Total operating expenses	4,728,346
Change in net position	(65,646)
Net position beginning of year	599,327
Net position end of year	\$ 533,681

See accompanying notes to the basic financial statements.



**Fremont City School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2014

		Self Insurance
<b>Cash flows from operating activities:</b>		
Cash received from other operating sources	\$	245,938
Cash received for charges for services		4,557,035
Cash payments to suppliers for goods and services		(859,262)
Cash payments for claims		(4,008,913)
Net cash used for operating activities		(65,202)
Net decrease in cash and cash equivalents		(65,202)
Cash and cash equivalents at beginning of year		1,069,007
Cash and cash equivalents at end of year	\$	1,003,805
<b>Reconciliation of operating loss to net cash used for operating activities:</b>		
Operating loss	\$	(65,646)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable		21,935
Increase (decrease) in liabilities:		
Accounts payable		49,315
Claims payable		(70,806)
Total adjustments		444
Net cash used for operating activities	\$	(65,202)

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2014*

	Private Purpose Trusts Endowment	Agency
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$ 28,206	\$ 112,141
Cash and cash equivalents in segregated accounts	-	9,092
Investments in segregated accounts	281,344	-
Receivables:		
Accounts	-	915
Accrued interest receivable	246	-
Total assets	309,796	\$ 122,148
 <b>Liabilities:</b>		
Accounts payable	\$ -	\$ 9,149
Undistributed monies	-	6,387
Due to students	-	106,612
Total liabilities	-	\$ 122,148
 <b>Net position:</b>		
Held in trust for scholarships	123,691	
Endowments	186,105	
Total net position	\$ 309,796	

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Private Purpose Trust
	Endowment
<b>Additions:</b>	
Interest	\$ 1,870
Gift and donations	50
Miscellaneous	7,567
Total additions	9,487
<b>Deductions:</b>	
Payments in accordance with trust agreements	5,264
Change in net position	4,223
Net position beginning of year	305,573
Net position end of year	\$ 309,796

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, 2014*

**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 162 classified employees, 282 certified teaching personnel, including 31 administrative employees who provide services to 4,307 students and other community members. The School District currently operates seven elementary schools, a middle school, and a comprehensive high school.

Reporting Entity

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

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

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

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

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 17 to the basic financial statements.

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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, 2014*

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District has 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, 2014*

**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.

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.

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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. The School District did not have any deferred outflows of resources at year end.

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, 2014, but which were levied to finance year 2015 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.

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.



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**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."

The monies being reported in an agency fund are held separate from the School District's central bank account and are reflected as "Cash and cash equivalents in segregated accounts". Also, the School District maintains segregated accounts for the special trust, and endowment funds, which is presented as "Investments in segregated accounts".

During the fiscal year all investments were limited to certificates of deposit, instruments of government sponsored mortgage-backed securities, treasury notes and commercial paper. In addition, for 2014 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.

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**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 15 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

**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.

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**K. Compensated Absences**

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

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

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

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

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**M. Fund Balance**

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, unless the use of the proceeds from the collection of those receivables is restricted, committed, or assigned.

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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.

**N. Net Position**

Net position represents the difference between assets, liabilities and deferred inflows of resources. 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.

**O. Operating Revenues and Expenses**

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

**P. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Q. Special Items**

Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. In the prior fiscal year, the School District reported a special item from the loss on disposal of the old middle school that was not fully depreciated.

**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.

**Fremont City School District  
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**NOTE 2 – FUND BALANCES**

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>			
Notes receivable	\$ -	\$ 15,759	\$ 15,759
<u>Restricted for</u>			
Food service	-	1,731,447	1,731,447
Athletics and music	-	140,968	140,968
Facilities maintenance	-	1,458,356	1,458,356
Scholarships and awards	-	137,273	137,273
Instructional programs	-	230,629	230,629
Special education	-	6,845	6,845
Parochial schools	-	107,746	107,746
Fiscal stabilization	-	62	62
Technology	-	127	127
Debt service payments	-	979,814	979,814
Capital improvements	-	3,818,494	3,818,494
Total restricted	-	8,611,761	8,611,761
<u>Committed</u>			
Underground storage tanks	11,000	-	11,000
Local grants	5,282,004	-	5,282,004
Total committed	5,293,004	-	5,293,004
<u>Assigned</u>			
Public school support	252,175	-	252,175
Encumbrances	196,028	-	196,028
Next fiscal year budget	6,536,182	-	6,536,182
Total assigned	6,984,385	-	6,984,385
Unassigned	1,554,767	(36,232)	1,518,535
Total fund balances	\$ 13,832,156	\$ 8,591,288	\$ 22,423,444

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

Net Change in Fund Balance	
	<u>General</u>
GAAP basis	\$ 2,185,059
Revenue accruals	(609,602)
Ajustment to fair market value for investments:	
Prior year amount	(34,785)
Current year amount	9,127
Expenditure accruals	(809,157)
Advances out	(43,810)
Budgeted as part of special revenue fund:	
Revenues	(280,582)
Expenditures	213,111
Encumbrances (Budget Basis) outstanding at year end	<u>(266,346)</u>
Budget basis	<u>\$ 363,015</u>

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**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

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



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

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

All interest is legally required to be placed in the general fund, and other funds as approved by a Board resolution. Interest revenue credited to the general fund during fiscal year 2014 amount to \$105,808, which includes \$28,300 assigned from other School District funds.

**A. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of the School District's deposits was \$5,210,261. Of this balance \$116,888 in the special trust special revenue fund and \$281,344 in the endowment private purpose trust fund are "Investments in segregated accounts". The School District's bank balance of \$5,606,622 was not exposed to custodial risk.

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

**B. Investments**

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

**Fremont City School District  
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Investments included within <u>pooled funds:</u>	Fair Value	Single Issuer Ratio	Portfolio Ratio	Maturity Date	Rating
Federal Home Loan Bank	\$ 523,535			06/24/16	AA+ <sup>(1)</sup>
Federal Home Loan Bank	360,433			11/28/16	AA+ <sup>(1)</sup>
Federal Home Loan Bank	<u>906,122</u>			05/19/17	AA+ <sup>(1)</sup>
Total FHLB	<u>1,790,090</u>	19%	10%		
Federal Home Loan Mortgage Corporation	500,515			12/05/14	AA+ <sup>(1)</sup>
Federal Home Loan Mortgage Corporation	901,467			03/18/15	AA+ <sup>(1)</sup>
Federal Home Loan Mortgage Corporation	505,980			09/04/15	AA+ <sup>(1)</sup>
Federal Home Loan Mortgage Corporation	1,070,460			05/13/16	AA+ <sup>(1)</sup>
Federal Home Loan Mortgage Corporation	<u>1,002,160</u>			06/29/17	AA+ <sup>(1)</sup>
Total FHLMC	<u>3,980,582</u>	41%	23%		
Federal National Mortgage Association	901,530			03/30/16	AA+ <sup>(1)</sup>
Federal National Mortgage Association	998,460			11/21/16	AA+ <sup>(1)</sup>
Federal National Mortgage Association	<u>748,395</u>			02/27/17	AA+ <sup>(1)</sup>
Total FNMA	<u>2,648,385</u>	28%	15%		
Commercial paper	834,649			09/24/14	AA+ <sup>(1)</sup>
Commercial paper	<u>320,000</u>			10/31/15	AA+ <sup>(1)</sup>
Total Commercial paper	<u>1,154,649</u>	12%	7%		
Subtotal government sponsored securities and commercial paper	<u>9,573,706</u>	<u>100%</u>			
U.S. Treasury notes	520,447	<sup>(3)</sup> N/A	3%	07/28/14	AA+ <sup>(1)</sup>
Tri-State Certificate of Deposit (CDARS)	400,000	<sup>(3)</sup> N/A	2%	12/04/14	AA+ <sup>(1)</sup>
Tri-State Certificate of Deposit (CDARS)	250,000	<sup>(3)</sup> N/A	1%	07/03/14	AA+ <sup>(1)</sup>
Waterford Certificate of Deposit (CDARS)	500,000	<sup>(3)</sup> N/A	3%	11/20/14	AA+ <sup>(1)</sup>
STAROhio	<u>6,197,823</u>	N/A	<u>36%</u>	51.4 <sup>(2)</sup>	AAAm <sup>(1)</sup>
Total investments	<u>\$ 17,441,976</u>		<u>100%</u>		

<sup>(1)</sup> Standard and Poor's rating

<sup>(2)</sup> Days (Average)

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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, FHLB, and commercial paper. 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, 2014.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2014 consisted of accounts (rent, billings for user charged services, and student fees), intergovernmental, income taxes, accrued interest, amounts due from external parties, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

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	<u>Amount</u>
<b>Governmental Activities</b>	
General Fund	
Property taxes	\$ 11,721,008
Income tax	2,559,117
Intergovernmental	66,131
Other Governmental Funds	
Property taxes	1,844,312
Intergovernmental:	
Race to the top	43,810
Title I -C	78,655
IDEA, Part B	5,743
Improving teacher quality	17,560
Miscellaneous Federal grants	<u>16,511</u>
Total other governmental funds	<u>\$ 2,006,591</u>
Total governmental activities	<u>\$ 16,352,847</u>

**NOTE 6 - INCOME TAXES**

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was 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 7 - PAYMENT IN LIEU OF TAXES**

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

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

**NOTE 8 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in 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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2014, 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, 2014, was \$2,170,537 in the general fund and was \$208,878 in the debt service fund and \$134,279 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 2014 taxes were collected are:

	2014 First Half Collections		2013 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 524,078,320	91.03%	\$ 522,225,450	94.43%
Public utility	51,628,770	8.97%	30,825,460	5.57%
Total assessed value	<u>\$ 575,707,090</u>	<u>100.00%</u>	<u>\$ 553,050,910</u>	<u>100.00%</u>

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>7/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2014</u>
<b>Governmental Activities</b>				
Nondepreciable capital assets				
Land	\$ 409,270	\$ -	\$ -	\$ 409,270
Construction in progress	<u>122,841</u>	<u>40,653</u>	<u>(125,958)</u>	<u>37,536</u>
Total nondepreciable capital assets	<u>532,111</u>	<u>40,653</u>	<u>(125,958)</u>	<u>446,806</u>
Depreciable capital assets				
Land improvements	641,571	-	-	641,571
Buildings and building improvements	36,457,245	83,194	(27,670)	36,512,769
Furniture, fixtures, and equipment	1,665,620	280,807	(32,536)	1,913,891
Vehicles	<u>2,696,291</u>	<u>5,125</u>	<u>(31,717)</u>	<u>2,669,699</u>
Total depreciable capital assets	<u>41,460,727</u>	<u>369,126</u>	<u>(91,923)</u>	<u>41,737,930</u>
Less accumulated depreciation:				
Land improvements	(346,547)	(43,722)	-	(390,269)
Buildings and building improvements	(6,585,768)	(618,581)	27,670	(7,176,679)
Furniture, fixtures, and equipment	(827,693)	(150,452)	5,848	(972,297)
Vehicles	<u>(2,130,743)</u>	<u>(147,730)</u>	<u>31,717</u>	<u>(2,246,756)</u>
Total accumulated depreciation	<u>(9,890,751)</u>	<u>(960,485)</u>	<u>65,235</u>	<u>(10,786,001)</u>
Depreciable capital assets, net				
Governmental activities	<u>31,569,976</u>	<u>(591,359)</u>	<u>(26,688)</u>	<u>30,951,929</u>
Capital assets, net	<u>\$ 32,102,087</u>	<u>\$ (550,706)</u>	<u>\$ (152,646)</u>	<u>\$ 31,398,735</u>

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 356,943
Special	36,039
Support services:	
Pupils	4,104
Instructional staff	15,209
Board of education	1,260
Administration	7,378
Operation and maintenance of plant	279,825
Pupil transportation	141,801
Operation of non-instructional services	47,560
Extracurricular activities	<u>70,366</u>
Total depreciation expense	<u>\$ 960,485</u>

**NOTE 10 - RISK MANAGEMENT**

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

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

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

The School District offers medical, prescription drug, and dental insurance to all employees through a partially self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The School District purchased stop loss insurance for claims in excess of \$140,000 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, 2014 were estimated by the third party administrator at \$520,035.

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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

Fiscal Year	Beginnning Balance	Current Year Claims	Claims Payments	Ending Balance
2013	\$ 390,331	\$ 4,086,041	\$ 3,885,531	\$ 590,841
2014	\$ 590,841	\$ 3,938,107	\$ 4,008,913	\$ 520,035

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$698,619, \$689,198 and \$636,041 respectively; 83.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

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



**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,363,177, \$2,314,156 and \$2,323,308 respectively; 83.2 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$111,633 made by the School District and \$87,712 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 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, 2014*

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105 (e). For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$95,198, \$91,945 and \$97,211 respectively; 97.8 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$40,531, \$38,932 and \$37,562 respectively; 83.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://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, 2014*

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$181,783, \$178,012 and \$178,716 respectively; 83.2 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-five days for administrators, supervisors, and classified supervisors; two hundred twenty days for teachers and school calendar employees; and two hundred fifty days for full-time classified employees. Upon retirement, payment is made for one half of accrued, but unused sick leave credit to a maximum of fifty-one days for teachers and thirty-five days for classified employees. Payment for administrators, supervisors, and classified supervisors is made for one fourth up to forty-seven days. In addition, classified employees receive one-half of accrued, but unused sick leave credit in excess of seventy days, up to a maximum of twelve days.

**B. Health Care Benefits**

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

**C. Special Termination Benefits**

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

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	Balance at <u>6/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/2014</u>	Amount Due within <u>One Year</u>
<b>Governmental Activities</b>					
<u>General obligation bonds</u>					
2009B School facilities					
construction and improvement					
Serial and term bonds	\$ 8,490,000	\$ -	\$ (235,000)	\$ 8,255,000	\$ 240,000
Capital appreciation bonds	239,877	-	-	239,877	-
Premium	92,715	-	(6,505)	86,210	-
Accretion on bonds	79,195	33,280	-	112,475	-
2009A School facilities					
construction and improvement					
Serial and term bonds	8,005,000	-	(250,000)	7,755,000	-
Capital appreciation bonds	209,991	-	-	209,991	84,308
Premium	215,381	-	(14,768)	200,613	-
Accretion on bonds	228,211	89,356	-	317,567	170,692
Total general obligation bonds	<u>17,560,370</u>	<u>122,636</u>	<u>(506,273)</u>	<u>17,176,733</u>	<u>495,000</u>
<u>Other obligations</u>					
Compensated absences	4,087,285	657,390	(544,577)	4,200,098	564,425
Total Long-term obligations	<u>\$ 21,647,655</u>	<u>\$ 780,026</u>	<u>\$ (1,050,850)</u>	<u>\$ 21,376,831</u>	<u>\$ 1,059,425</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.

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 2014 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.

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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

The School District's overall debt margin was \$35,353,770 with an unvoted debt margin of \$575,707 at June 30, 2014.

Principal, compounded interest on capital appreciation bonds and interest requirements to retire the general obligation bonds outstanding at June 30, 2014, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	Compounded <u>Interest</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 324,308	\$ 170,692	\$ 723,716	\$ 1,218,716
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
2020-2024	2,990,000	-	3,147,323	6,137,323
2025-2029	3,695,000	-	2,459,193	6,154,193
2030-2034	4,660,000	-	1,526,775	6,186,775
2035-2037	3,390,000	-	336,125	3,726,125
	<u>\$ 16,459,868</u>	<u>\$ 820,132</u>	<u>\$ 11,019,296</u>	<u>\$ 28,299,296</u>

**NOTE 15 - 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.

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.

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

	<u>Capital Improvements</u>
Balance June 30, 2013	\$ -
Current year set-aside requirement	712,017
Current year offsets	<u>(855,294)</u>
Balance June 30, 2014	<u>\$ (143,277)</u>
Balance carried forward to 2015	<u>\$ -</u>

**NOTE 16 - DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust funds consist of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$186,105, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$123,691 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 17 - 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 2014, the School District paid \$147,109 to NOECA for various services. Financial information can be obtained from Matthew Bauer, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**B. Vanguard-Sentinel Career Center**

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

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

**C. Ohio Schools Council**

The Ohio Schools Council (Council) is a jointly governed organization among 198 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 2014 the School District paid the Council \$18,883 for life insurance, \$126,343 for natural gas purchases, and \$1,009 for membership fees. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

**NOTE 18 - CONTINGENCIES**

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, 2014.

**NOTE 19 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Transfers from general fund to:		
Nonmajor governmental funds	\$	201,053

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.

Interfund balances at June 30, 2014 consisted of the following:

Due to general fund from:		
Nonmajor governmental funds	\$	43,810

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2014, all interfund loans outstanding are anticipated to be repaid in fiscal year 2015.

**NOTE 20 - ACCOUNTABILITY**

As of June 30, 2014, 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>	
Race to the top	\$ 29,574
Title II-A Improving teacher quality	6,658



FREMONT CITY SCHOOL DISTRICT  
SANDUSKY COUNTY

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

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Disbursements
<b><u>U.S. Department of Agriculture</u></b>			
Nutrition Cluster:			
Pass through Ohio Department of Education:			
School Breakfast Program	10.553	\$ 224,126	\$ 224,126
National School Lunch Program	10.555	1,007,212	1,007,212
Special Milk Program for Children	10.556	1,646	1,646
Summer Food Service Program for Children	10.559	27,231	21,237
Non-Cash Assistance:			
National School Lunch Program - Food Commodities - Note 2	10.555	74,034	74,034
<b>Total Nutrition Cluster</b>		<b>1,334,249</b>	<b>1,328,255</b>
Federal Reimbursement - Supper Program	10.558	23,048	23,048
<b>Total U.S. Department of Agriculture</b>		<b>1,357,297</b>	<b>1,351,303</b>
<b><u>U.S. Department of Education</u></b>			
Pass through Ohio Department of Education:			
ESEA Title I, Part C, Migrant Education—State Grant Program			
Title I Migrant Worker - FY 13	84.011	163,353	177,009
Title I Migrant Worker - FY 14	84.011	172,550	53,142
<b>Total Title I - Migrant Education</b>		<b>335,903</b>	<b>230,151</b>
<b>Race to the Top</b>			
Race to the Top - FY 13	84.395	18,000	19,383
Race to the Top - FY 14	84.395	103,690	109,812
Race to the Top - Entry Year ARRA	84.395	3,500	2,125
<b>Total Race to the Top</b>		<b>125,190</b>	<b>131,320</b>
<b>ESEA Title I, Part A, Title I Grants to Local Education Agencies</b>			
Title I - N/D FY 13	84.010	4,058	5,340
Title I - N/D FY 14	84.010	65,305	61,343
Title I - Schoolwide FY 13	84.010	135,966	175,996
Title I - Schoolwide FY 14	84.010	1,065,537	926,764
Title I - School Improvement	84.010	50,798	49,169
<b>Total Title I - Grants to Local Education Agencies</b>		<b>1,321,664</b>	<b>1,218,612</b>
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children			
Title VI - B - FY 13	84.027	25,000	49,422
Title VI - B - FY 14	84.027	954,557	867,684
<b>Total Title VI - B</b>		<b>979,557</b>	<b>917,106</b>
<b>Title III</b>			
Title III LEP - FY 13	84.365	2,930	5,320
Title III LEP - FY 14	84.365	40,760	30,754
<b>Total Title III</b>		<b>43,690</b>	<b>36,074</b>
<b>Title II-A</b>			
Improvement Teacher Quality - FY13	84.367	59,402	59,402
Improvement Teacher Quality - FY14	84.367	239,713	211,037
Regional LPDC - FY13	84.367	-	1,605
<b>Total Title II-A</b>		<b>299,115</b>	<b>272,044</b>
<b>21st Century</b>			
21st Century Innovation	84.287	165,323	167,743
21st Century Learning Lifetime	84.287	245,662	248,469
<b>Total 21st Century</b>		<b>410,985</b>	<b>416,212</b>
<b>Title VI - B - REAP</b>			
Rural and Low Income	84.358	42,818	28,247
<b>Total Title VI - B</b>		<b>42,818</b>	<b>28,247</b>
<b>Total U.S. Department of Education</b>		<b>3,558,922</b>	<b>3,249,766</b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b>\$ 4,916,219</b>	<b>\$ 4,601,069</b>

See accompanying Notes to the Federal Awards Receipts and Expenditures Schedule

**FREMONT CITY SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont City School District, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2015.

***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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

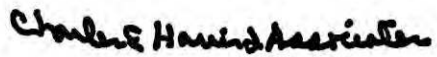
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any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



***Charles E. Harris and Associates, Inc.***  
January 30, 2015

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

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

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**INDEPENDENT AUDITORS' 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

To the Board of Education:

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

We have audited the 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 the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's 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 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 the Major Federal Program***

In our opinion, Fremont City School District, Sandusky County, Ohio, complied in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2014.

***Report on Internal Control over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-FCSD-001 to be a material weakness.

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

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



**CHARLES E. HARRIS & ASSOCIATES, INC.**  
January 30, 2015

**FREMONT CITY SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	Yes
(d)(1)(vii)	<i>Major Programs:</i>	Title I Grants to Local Educational Agencies CFDA # 84.010 21st Century CFDA # 84.287 Child Nutrition Cluster: CFDA # 10.553 National School Breakfast Program CFDA # 10.555 National School Lunch Program and Donated Commodities CFDA # 10.556 Special Milk Program CFDA # 10.559 Summer Food Program Title VI-B (Special Education) CFDA # 84.027
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

FREMONT CITY SCHOOL DISTRICT  
SANDUSKY COUNTY

SCHEDULE OF FINDINGS – (CONTINUED)  
OMB CIRCULAR A-133 SECTION .505  
June 30, 2014

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

**Finding 2014-FCSD-001 – Material Weakness**

OMB Circular A-133 states that it is management’s responsibility to prepare an accurate Schedule of Federal Awards Expenditures. The requirement to present a schedule of expenditures of federal awards means that the recipient has to identify all of its federal programs (direct and indirect, major and non-major) and related awards expended, including separately identifying expenditures of Recovery Act awards.

The Board’s internal control procedures did not identify various errors within the Schedule of Federal Awards Expenditures. The failure to identify grants and include all activities affects the District’s ability to report accurate federal expenditures required by OMB Circular A-133. These errors were detected and corrected during the audit process.

We recommend that the Board implement additional procedures to identify federal grants and include them on the annual schedule of federal awards expenditures. Management should contact the various granting agencies and request documentation for all grant activity with the Board.

Management’s Response:



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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-FCSD-01	OMB Circular A-133 §.320 Certification of Data Collection Form	Yes	Client certified the 2013 form.