

FREMONT CITY SCHOOL DISTRICT

SANDUSKY COUNTY

Audit Report

For the Year Ended June 30, 2007

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



Mary Taylor, CPA
Auditor of State

Board of Education
Fremont City School District
1220 Cedar Street, Suite A
Fremont, Ohio 43420

We have reviewed the *Report of Independent Accountants* of the Fremont City School District, Sandusky County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 27, 2008

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FREMONT CITY SCHOOL DISTRICT
SANDUSKY COUNTY
AUDIT REPORT
For the Year Ending June 30, 2007

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Asset of Governmental Activities.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	18
Statement of Net Assets - Internal Service Fund.....	19
Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Fund.....	20
Statement of Cash Flows - Internal Service Fund.....	21
Statement of Fiduciary Net Assets - Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Fund.....	23
Notes to the Basic Financial Statements.....	24
Schedule of Federal Awards Expenditures.....	52
Notes to the Federal Awards Expenditures Schedule.....	53
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	54
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	56
Schedule of Findings and Questioned Costs.....	58
Schedule of Prior Audit Findings.....	60

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

REPORT OF INDEPENDENT ACCOUNTANTS

Fremont City School District
Sandusky County
1220 Cedar Street, Suite A
Fremont, OH 43420

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County, Ohio, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Fremont City School District, Sandusky County, Ohio, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the District changed their capital assets threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fremont City School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.

April 18, 2008

Fremont City School District
Sandusky County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of Fremont City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- In total, net assets increased \$1,730,199, or 14.2 percent. This increase is due mainly from the large increase in net assets of the internal service fund. This increase was \$536,760.
- General revenues represented 82.7 percent of all revenues for fiscal year 2007. The dependence on general revenues was slightly less than that of the prior fiscal year; however, the dependence on income and property taxes as well as unrestricted state entitlements continues to be significant.
- The School District remains in fiscal caution as declared in April of 2003. Fiscal caution is further explained in Note 20 of the financial statements.
- The School District purchased two new buses for \$160,367 during the fiscal year. The School District also received a capital contribution for a new stadium in the amount of \$500,000 during the 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 Fremont City School District as a financial whole, or as an entire operating entity.

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Fremont City School District, the general fund and the permanent improvement capital projects fund are the most significant funds.

Fremont City School District
Sandusky County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that, which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the general fund and the permanent improvement 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, 2007
Unaudited*

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2007 compared to fiscal year 2006.

Table 1
Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Assets:		
Current and Other Assets	\$ 21,502,980	\$ 18,674,230
Capital Assets, Net	<u>11,641,553</u>	<u>11,874,624</u>
<i>Total Assets, Net</i>	<u><u>33,144,533</u></u>	<u><u>30,548,854</u></u>
Liabilities:		
Current and Other Liabilities	14,793,785	14,506,785
Long-Term Liabilities	<u>4,493,262</u>	<u>3,914,782</u>
<i>Total Liabilities</i>	<u><u>19,287,047</u></u>	<u><u>18,421,567</u></u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	11,251,553	11,336,126
Restricted	3,081,938	2,199,481
Unrestricted (Deficit)	<u>(476,005)</u>	<u>(1,408,320)</u>
<i>Total Net Assets</i>	<u><u>\$ 13,857,486</u></u>	<u><u>\$ 12,127,287</u></u>

Total assets increased by \$2,595,679, or 8.5 percent from the prior fiscal year. In the current year an amount was reported for income taxes receivable due to the timing of the payment received.

In comparison to 2006, current and other liabilities increased 2 percent. The increase was primarily due to an increase in compensated absences.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the School District's assets exceeded liabilities by \$13,857,486. Net assets, in total, increased by \$1,730,199 but this increase was mainly from the increase in the internal service fund's net assets and the invested in capital assets, net of related debt portion of net assets.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

Table 2 reflects the changes in net assets for fiscal year 2007 and 2006.

**Table 2
Change in Net Assets**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,673,801	\$ 1,436,213
Operating Grants, Contributions, and Interest	5,703,926	5,453,236
Capital Grants and Contributions	44,203	14,610
General Revenues:		
Taxes	19,148,668	19,143,871
Grants and Entitlements	14,386,989	13,519,751
Payment in Lieu of Taxes	648,826	241,928
Interest	419,690	194,813
Gifts and donations	500,000	-
Miscellaneous	<u>132,762</u>	<u>114,979</u>
<i>Total Revenues</i>	<u>42,658,865</u>	<u>40,119,401</u>
Expenses:		
Instruction:		
Regular	17,924,269	16,193,958
Special	6,492,394	6,142,745
Vocational	175,127	167,516
Other	1,269,906	1,166,261
Support Services:		
Pupils	2,319,631	2,294,155
Instructional Staff	1,531,274	1,635,381
Board of Education	128,273	39,924
Administration	2,523,012	2,460,631
Fiscal	1,073,615	1,375,106
Business	94,954	110,574
Operation of Maintenance of Plant	2,931,020	3,963,840
Pupil Transportation	1,644,460	1,575,474
Central	85,074	81,739
Non-Instructional Services	1,946,509	1,709,960
Extracurricular Services	733,413	726,985
Interest and Fiscal Charges	<u>55,735</u>	<u>73,546</u>
<i>Total Expenses</i>	<u>40,928,666</u>	<u>39,717,795</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$ 1,730,199</u>	<u>\$ 401,606</u>

Fremont City School District
Sandusky County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Change in Net Assets

Governmental Activities - The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 28.6 percent of revenues for governmental activities for the School District in fiscal year 2007. 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 cost.

The School District has an income tax which is also a critical revenue used to support operations. For 2007, this revenue amounted to 16.3 percent of total revenues.

Program revenues represented 17.4 percent of total revenues for fiscal year 2007. Program revenues generally represent tuition and fees, charges for extracurricular activities, and food service sales.

As stated previously, general revenues were 82.6 percent of total revenues for fiscal year 2007 and while general revenues were more than the previous fiscal year, dependence on tax resources and unrestricted grants and entitlements, primarily State foundation resources, will continue to be the primary support for School District operations.

In general, program expenses were comparable to the prior fiscal year. Program expenses for 2007 increased 3.0 percent over 2006. The increases were not attributed to any specific program but an overall increase in expenses.

The major program expenses for governmental activities are for instruction, which in 2007, accounted for 63.2 percent of all governmental expenses. Other programs which support the instruction process, including pupils support, instructional staff, and pupil transportation account for 13.4 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, of 4.8 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, 2007
Unaudited*

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$ 17,924,269	\$ 16,193,958	(16,237,776)	\$ (14,509,755)
Special	6,492,394	6,142,745	(4,356,697)	(3,404,237)
Vocational	175,127	167,516	(175,127)	(167,516)
Other	1,269,906	1,166,261	(1,269,906)	(1,166,261)
Support Services:				
Pupils	2,319,631	2,294,155	(1,905,362)	(2,222,205)
Instructional Staff	1,531,274	1,635,381	(1,009,654)	(1,465,847)
Board of Education	128,273	39,924	(128,273)	(39,924)
Administration	2,523,012	2,460,631	(2,388,773)	(2,455,888)
Fiscal	1,073,615	1,375,106	(1,070,148)	(1,375,106)
Buisness	94,954	110,574	(94,954)	(110,574)
Operation and Maintenance of Plant	2,931,020	3,963,840	(2,868,267)	(3,950,529)
Pupil Transportation	1,644,460	1,575,474	(1,557,537)	(1,560,864)
Central	85,074	81,739	(74,717)	(67,622)
Non-Instructional Services	1,946,509	1,709,960	21,245	249,959
Extracurricular Services	733,413	726,985	(335,055)	(493,821)
Interest and Fiscal Charges	55,735	73,546	(55,735)	(73,546)
<i>Total Expenses</i>	\$ 40,928,666	\$ 39,717,795	\$ (33,506,736)	\$ (32,813,736)

As noted earlier, the program costs for fiscal year 2007 are comparable to the prior fiscal year with a 3.0 percent increase and the amount of program revenues provided to off-set these expenses has increased 2.1 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.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the general fund where revenues exceeded expenditures for the fiscal year, and the permanent improvement capital projects fund which accounts for all transaction related to acquiring, constructing, or improving permanent improvements. The permanent improvement fund's revenues also exceeded expenditures increasing the fund balance by 18.6 percent.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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 final budget basis revenue and other financing sources estimate was \$33,837,996, which was higher than the original budget estimate of \$32,835,933. Most of this \$1,002,063 difference was due to conservative original budget estimates for property taxes and intergovernmental revenues.

The original expenditures and other financing uses estimate of \$32,935,379 was revised during the fiscal year to the final amount of \$34,101,994. Actual expenditures and other financing uses, however, were \$33,500,247 or \$601,747 less than anticipated. Overall, the final budget amounts are approximately 3.5% higher than originally established.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$11,641,553 invested in capital assets (net of accumulated depreciation), a decrease of \$233,071, or a little over 1.9 percent. Due to limited resources, additions to capital assets were very restricted again in fiscal year 2007. The School District found it necessary to purchase two new buses. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2007, consisted of tax anticipation notes, in the amount of \$440,000 and general obligation bonds, in the amount of \$390,000. The School District's long-term obligations also include compensated absences and capital leases. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

Current Issues

The School District had projected a deficit cash position for fiscal year 2003 on the five-year forecast submitted to the Department of Education. As a result, the School District was placed in Fiscal Caution on April 10, 2003. As part of the School District's recovery plan, the Board of Education placed an additional five-year, .5 percent income tax levy on the ballot in May 2003. The revenue to be generated from this addition is \$2,380,000 annually. The levy was successful and brought the full income tax rate for the School District to 1.25 percent. Collections on the new tax began in April 2004.

**Fremont City School District
Sandusky County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Dave Chambers, Treasurer, Fremont City School District, 1220 Cedar Street, Suite A, Fremont, Ohio 43420-1156.

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Fremont City School District

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 5,217,955
Cash and cash equivalents:	
In segregated accounts	58,000
Inventory held for resale	15,432
Materials and supplies inventory	115,272
Receivables:	
Accounts	159,879
Intergovernmental	564,573
Accrued interest	1,493
Taxes	12,674,601
Income taxes	2,662,850
Notes	32,925
Capital assets:	
Land	409,270
Depreciable capital assets, net	<u>11,232,283</u>
Total capital assets	<u>11,641,553</u>
Total assets	<u>33,144,533</u>
Liabilities:	
Accounts payable	57,407
Accrued wages	2,361,135
Matured compensated absences payable	286,785
Intergovernmental payable	1,027,546
Accrued interest payable	11,506
Claims payable	493,426
Deferred revenue	10,115,980
Notes payable	440,000
Long-term liabilities:	
Due within one year	376,793
Due in more than one year	<u>4,116,469</u>
Total liabilities	<u>19,287,047</u>
Net assets:	
Invested in capital assets, net of related debt	11,251,553
Restricted for:	
Capital projects	1,278,479
Other purposes	1,803,459
Unrestricted	<u>(476,005)</u>
Total net assets	<u>\$ 13,857,486</u>

See accompanying notes to the basic financial statements.

Fremont City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues				Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
Governmental Activities:					
Instruction:					
Regular	\$ 17,924,269	\$ 560,407	\$ 1,126,086	\$ -	\$ (16,237,776)
Special	6,492,394	-	2,135,697	-	(4,356,697)
Vocational	175,127	-	-	-	(175,127)
Other	1,269,906	-	-	-	(1,269,906)
Support services:					
Pupils	2,319,631	75,434	338,835	-	(1,905,362)
Instructional staff	1,531,274	28,527	493,093	-	(1,009,654)
Board of education	128,273	-	-	-	(128,273)
Administration	2,523,012	1,934	132,305	-	(2,388,773)
Fiscal	1,073,615	3,467	-	-	(1,070,148)
Business	94,954	-	-	-	(94,954)
Operation and maintenance of plant	2,931,020	12,264	50,489	-	(2,868,267)
Pupil transportation	1,644,460	-	42,720	44,203	(1,557,537)
Central	85,074	-	10,357	-	(74,717)
Operation of non-instructional services	1,946,509	593,410	1,374,344	-	21,245
Extracurricular activities	733,413	398,358	-	-	(335,055)
Interest and fiscal charges	55,735	-	-	-	(55,735)
Total governmental activities	\$ 40,928,666	\$ 1,673,801	\$ 5,703,926	\$ 44,203	(33,506,736)

General Revenues:

Property taxes levied for:		
General purposes		11,312,294
Capital outlay		883,088
Income taxes levied for:		
General purposes		6,953,286
Grants and entitlements not restricted to specific programs		14,386,989
Payment in lieu of taxes		648,826
Investment earnings		419,690
Gifts and donations		500,000
Miscellaneous		132,762
Total general revenues		35,236,935
Change in net assets		1,730,199
Net assets beginning of year, as restated (Note 2)		12,127,287
Net assets end of year		\$ 13,857,486

See accompanying notes to the basic financial statements.

Fremont City School District

Balance Sheet

Governmental Funds

June 30, 2007

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,138,954	\$ 1,098,799	\$ 1,768,145	\$ 4,005,898
Cash and cash equivalents:				
In segregated accounts	-	-	58,000	58,000
Inventory held for resale	-	-	15,432	15,432
Materials and supplies inventory	111,970	-	3,302	115,272
Receivables:				
Accounts	152,856	-	5,465	158,321
Intergovernmental	-	-	564,573	564,573
Accrued interest	-	-	1,493	1,493
Taxes	11,753,964	920,637	-	12,674,601
Income taxes	2,662,850	-	-	2,662,850
Notes	-	-	32,925	32,925
Total assets	<u>\$ 15,820,594</u>	<u>\$ 2,019,436</u>	<u>\$ 2,449,335</u>	<u>\$ 20,289,365</u>
Liabilities:				
Accounts payable	\$ 1,621	\$ 5,450	\$ 50,336	\$ 57,407
Accrued wages	2,169,330	-	191,805	2,361,135
Matured compensated absences payable	252,669	-	34,116	286,785
Intergovernmental payable	996,587	-	30,959	1,027,546
Deferred revenue	10,261,614	798,426	142,795	11,202,835
Accrued interest payable	9,588	-	-	9,588
Notes payable	440,000	-	-	440,000
Total liabilities	<u>14,131,409</u>	<u>803,876</u>	<u>450,011</u>	<u>15,385,296</u>
Fund balances:				
Reserved for encumbrances	31,960	391,883	402,241	826,084
Reserved for notes receivable	-	-	32,925	32,925
Reserved for property taxes	1,566,828	122,211	-	1,689,039
Unreserved,				
Undesignated, reported in:				
General fund	90,397	-	-	90,397
Special revenue funds	-	-	1,564,158	1,564,158
Capital projects funds	-	701,466	-	701,466
Total fund balances	<u>1,689,185</u>	<u>1,215,560</u>	<u>1,999,324</u>	<u>4,904,069</u>
Total liabilities and fund balances	<u>\$ 15,820,594</u>	<u>\$ 2,019,436</u>	<u>\$ 2,449,335</u>	<u>\$ 20,289,365</u>

See accompanying notes to the basic financial statements.

Fremont City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2007*

Total governmental fund balances		\$ 4,904,069
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,641,553
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	869,582	
Intergovernmental	137,643	
Charges for services	63,660	
Miscellaneous	15,970	
		1,086,855
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(1,918)
Long-term liabilities, including general obligation bonds, compensated absences and capital leases payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (390,000)	
Compensated absences	(4,103,262)	
Total		(4,493,262)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		720,189
Net assets of governmental activities		\$ 13,857,486

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, 2007

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 11,283,083	\$ 880,811	\$ -	\$ 12,163,894
Income tax	6,953,286	-	-	6,953,286
Intergovernmental	14,347,192	143,276	5,553,045	20,043,513
Interest	419,690	-	3,241	422,931
Tuition and fees	547,832	-	9,316	557,148
Extracurricular activities	140,566	-	284,207	424,773
Gifts and donations	11,378	-	6,953	18,331
Charges for services	-	-	592,083	592,083
Rent	9,970	-	-	9,970
Payment in lieu of taxes	-	-	648,826	648,826
Miscellaneous	112,456	-	74,903	187,359
Total revenues	<u>33,825,453</u>	<u>1,024,087</u>	<u>7,172,574</u>	<u>42,022,114</u>
Expenditures:				
Current:				
Instruction:				
Regular	15,843,613	217,047	997,199	17,057,859
Special	4,374,597	-	2,082,272	6,456,869
Vocational	175,850	-	-	175,850
Other	1,269,732	-	-	1,269,732
Support services:				
Pupils	1,826,764	172,186	413,934	2,412,884
Instructional staff	1,066,242	-	523,895	1,590,137
Board of education	128,273	-	-	128,273
Administration	2,487,245	-	143,424	2,630,669
Fiscal	983,739	42,221	32,532	1,058,492
Business	87,927	-	1,250	89,177
Operation and maintenance of plant	2,632,391	44,442	52,171	2,729,004
Pupil transportation	1,390,373	45,350	49,416	1,485,139
Central	84,895	-	10,316	95,211
Operation of non-instructional services	2,235	-	1,906,091	1,908,326
Extracurricular activities	444,230	-	251,923	696,153
Capital outlay	5,500	160,367	-	165,867
Debt service:				
Principal retirement	23,498	125,000	-	148,498
Interest and fiscal charges	29,651	26,698	-	56,349
Total expenditures	<u>32,856,755</u>	<u>833,311</u>	<u>6,464,423</u>	<u>40,154,489</u>
Net change in fund balances	<u>968,698</u>	<u>190,776</u>	<u>708,151</u>	<u>1,867,625</u>
Fund balances at beginning of year	720,487	1,024,784	1,291,173	3,036,444
Fund balances at end of year	<u>\$ 1,689,185</u>	<u>\$ 1,215,560</u>	<u>\$ 1,999,324</u>	<u>\$ 4,904,069</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, 2007*

Net change in fund balances - total governmental funds	\$	1,867,625
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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:</p>		
Capital asset additions	\$	665,867
Depreciation expense		<u>(608,668)</u>
Excess of capital outlay over depreciation expense		57,199
<p>The proceeds from the sale of capital assets are reported as a source of financing in the governmental funds. However, the value of the capital assets sold/disposed is removed from the capital assets account in the statement of net assets and offset against the sales proceeds resulting in a "gain on the disposal of capital assets" in the statement of activities. Thus, potentially more revenue is reported in the governmental funds and more expenses in the statement of activities. In the current period expenses exceeded revenues.</p>		
Value of capital assets disposed	\$	<u>(290,270)</u>
Excess expenses over revenues		(290,270)
<p>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:</p>		
Property taxes	\$	31,489
Intergovernmental		83,161
Charges for services		8,221
Miscellaneous		<u>13,880</u>
Net change in deferred revenues during the year		136,751
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		125,000
<p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets</p>		
		23,498
<p>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:</p>		
Increase in compensated absences	\$	(726,978)
Decrease in accrued interest		<u>614</u>
Total additional expenditures		(726,364)
<p>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.</p>		
		<u>536,760</u>
Change in net assets of governmental activities	\$	<u><u>1,730,199</u></u>

See accompanying notes to the basic financial statements.

Fremont City School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual - General Fund
 For the Fiscal Year Ended June 30, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 11,769,347	\$ 11,842,583	\$ 11,934,514	\$ 91,931
Income tax	6,292,459	6,599,872	6,599,872	-
Intergovernmental	13,691,663	14,308,739	14,347,192	38,453
Interest	370,000	377,194	419,690	42,496
Tuition and fees	501,017	498,161	546,348	48,187
Rent	12,200	12,200	10,188	(2,012)
Extracurricular activities	113,595	113,595	140,567	26,972
Gifts and donations	12,665	12,665	11,378	(1,287)
Miscellaneous	41,487	41,487	91,024	49,537
Total revenues	32,804,433	33,806,496	34,100,773	294,277
Expenditures:				
Current:				
Instruction:				
Regular	15,424,767	15,834,414	15,647,103	187,311
Special	4,208,625	4,549,599	4,548,737	862
Vocational	166,415	183,312	181,463	1,849
Other	1,055,000	1,269,732	1,269,732	-
Support services:				
Pupils	2,027,343	1,906,700	1,876,308	30,392
Instructional staff	1,157,824	1,130,093	1,088,149	41,944
Board of education	90,495	96,749	96,361	388
Administration	2,552,601	2,551,817	2,550,473	1,344
Fiscal	1,245,137	1,243,194	1,033,381	209,813
Business	97,790	102,214	101,637	577
Operation and maintenance of plant	2,780,530	2,862,773	2,861,498	1,275
Pupil transportation	1,551,088	1,441,995	1,408,426	33,569
Central	59,043	92,877	92,866	11
Operation of non-instructional services	19,712	24,925	13,148	11,777
Extracurricular activities	499,009	526,251	445,616	80,635
Total expenditures	32,935,379	33,816,645	33,214,898	601,747
Excess of revenues over (under) expenditures	(130,946)	(10,149)	885,875	896,024
Other financing sources (uses):				
Proceeds from sale of capital assets	1,500	1,500	1,500	-
Refund of prior year expenditures	-	-	25,149	25,149
Refund of prior year receipts	-	(2,877)	(2,877)	-
Advances in	30,000	30,000	50,000	20,000
Advances out	-	(30,000)	(30,000)	-
Transfers out	-	(252,472)	(252,472)	-
Total other financing sources (uses)	31,500	(253,849)	(208,700)	45,149
Net change in fund balance	(99,446)	(263,998)	677,175	941,173
Fund balance at beginning of year	353,303	353,303	353,303	-
Prior year encumbrances appropriated	65,743	65,743	65,743	-
Fund balance at end of year	\$ 319,600	\$ 155,048	\$ 1,096,221	\$ 941,173

See accompanying notes to the basic financial statements.

Fremont City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2007

	Self Insurance
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,212,057
Accounts receivable	1,558
Total assets	1,213,615
Liabilities:	
Claims payable	493,426
Net assets:	
Unrestricted	720,189
Total liabilities and net assets	\$ 1,213,615

See accompanying notes to the basic financial statements.

Fremont City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2007

	Self Insurance
Operating revenues:	
Charges for services	\$ 4,579,261
Operating expenses:	
Purchased services	603,867
Claims	3,438,460
Other	174
Total operating expenses	4,042,501
Change in net assets	536,760
Net assets beginning of year	183,429
Net assets end of year	\$ 720,189

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, 2007

	Self Insurance
Cash flows from operating activities:	
Cash received for charges for services	\$ 4,577,703
Cash payments to suppliers for goods and services	(604,041)
Cash payments for claims	(3,431,825)
Net cash provided by operating activities	541,837
Net increase in cash and cash equivalents	541,837
Cash and cash equivalents at beginning of year	670,220
Cash and cash equivalents at end of year	\$ 1,212,057
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 536,760
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(1,558)
Increase (decrease) in liabilities:	
Claims payable	6,635
Net cash provided by operating activities	\$ 541,837

See accompanying notes to the basic financial statements.

Fremont City School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007

	Private Purpose Trusts	
	<u>Endowment</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 12,109	\$ 70,658
Cash and cash equivalents in segregated accounts	91,999	-
Receivables:		
Accounts	-	1,765
Accrued interest	1,373	-
Total assets	<u>105,481</u>	<u>\$ 72,423</u>
Liabilities:		
Accounts payable	\$ -	\$ 415
Due to students	-	72,008
Total liabilities	<u>-</u>	<u>\$ 72,423</u>
Net assets:		
Held in trust for scholarships	51,579	
Endowments	53,902	
Total net assets	<u>\$ 105,481</u>	

See accompanying notes to the basic financial statements.

Fremont City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust
	Endowment
Additions:	
Interest	\$ 3,125
Gift and donations	1,000
Miscellaneous	1,350
Total additions	5,475
Deductions:	
Payments in accordance with trust agreements	2,534
Change in net assets	2,941
Net assets beginning of year	102,540
Net assets end of year	\$ 105,481

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, 2007

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 157 classified employees, 285 certified teaching personnel, including twenty-two administrative employees who provide services to 4,566 students and other community members. The School District currently operates seven elementary schools, a middle school, and a comprehensive high school.

Reporting Entity

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

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

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

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

Fremont City School District
Sandusky County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The School District participates in five jointly governed organizations and an insurance pool. These organizations are the Northern Ohio Educational Computer Association, the Northwestern Ohio Educational Research Council, Inc., the Vanguard-Sentinel Career Center, the Northwest Ohio Special Education Regional Resource Center, the Northwest Ohio Regional Professional Development Center, and the Ohio School Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

The basic financial statements of Fremont City 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. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Fremont City School District
Sandusky County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

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 two major governmental funds:

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

Permanent Improvement Fund – This fund accounts for all transaction related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705.

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

Proprietary Fund

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

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

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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

The School District receives certain operating resources which are received by the Sandusky County Educational Service Center and are expended by the Educational Service Center on the School District's behalf as directed by the School District. Budgetary information for these resources is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

F. Cash and Investments

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

During fiscal year 2007, deposits were held in checking and savings accounts as well as nonnegotiable certificates of deposit, which are reported at cost.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. The School District did not have any prepaids as of June 30, 2007.

H. 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 administrative supplies, custodial supplies, and donated and purchased food.

I. 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. Restricted assets in the general fund include amounts required by State statute to be set aside to create a reserve for textbooks. As of the end of fiscal year 2007, the School District expended the required set-aside amounts and therefore does not report restricted cash on the balance sheet and statement of net assets. Unclaimed monies that must be held for five years before being spent are also reported as restricted.

J. Capital Assets

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

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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>
Buildings and Building Improvements	5-75 years
Furniture, Fixtures, and Equipment	3-25 years
Vehicles	4-15 years

K. Interfund Assets/Liabilities

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

L. Compensated Absences

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

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

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

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

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Assets

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

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

O. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, notes receivable and encumbrances.

P. Operating Revenues and Expenses

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

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Q. Interfund Transactions

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

R. Estimates

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

NOTE 2 – RESTATEMENT OF NET ASSETS

Following the close of the previous fiscal year, the School District implemented a change in the capital asset threshold and extended the useful lives of certain capital assets. The threshold was changed from \$10,000 down to \$5,000. As a result of the change in policies, a restatement of the capital asset balances, accumulated depreciation and net assets was required.

The restatement of net assets is presented below:

Net assets, June 30, 2006	\$ 11,806,327
Restatement of capital assets, net of depreciation	<u>320,960</u>
Restated net assets, as of July 1, 2007	<u>\$ 12,127,287</u>

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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund are as follows:

Change in Fund Balance	
GAAP Basis	\$ 968,698
<u>Increase(Decrease) Due To:</u>	
Revenue Accruals	351,969
Expenditure Accruals	(611,532)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(31,960)
Budget Basis	\$ 677,175

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;

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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);
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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 2007 amount to \$419,690, which includes \$263,381 assigned from other School District funds.

A. Cash on Hand

At year-end, the School District had \$634 in undeposited cash on hand which is included on the financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$5,450,087. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$7,163,447 of the School District's bank balance of \$7,363,447 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

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.

C. Reconciliation of Deposits to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Deposits and cash on hand</u>	
Carrying amount of deposits	\$ 5,450,087
Cash on hand	<u>634</u>
Total	<u><u>\$ 5,450,721</u></u>
 <u>Cash and cash equivalents</u>	
Governmental Activities:	
Equity in pooled cash and cash equivalents	\$ 5,217,955
Cash and cash equivalents in segregated accounts	58,000
Fiduciary Funds:	
Private purpose trusts	104,108
Agency	<u>70,658</u>
Total	<u><u>\$ 5,450,721</u></u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2007, 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.

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

A summary of the principal items of receivables follows:

	Amount
Governmental Activities	
General Fund	
Property taxes receivable	\$ 11,753,964
Income tax receivable	2,662,850
Permanent Improvement Fund	
Property taxes receivable	920,637
Other Governmental Funds	
Intergovernmental receivables:	
Food service	108,235
Miscellaneous state grants	6,800
Title I: migrant	81,097
Title I	74,117
Miscellaneous federal grants	294,324
Total Other Governmental Funds	\$ 564,573

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. Of this amount, .75 percent of the tax was effective on January 1, 1999, and .5 percent of the tax was effective on January 1, 2004. Both 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.

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$1,566,828 in the general fund and \$122,211 in the permanent improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On the modified accrual basis, the revenue is deferred. The assessed values upon which the fiscal year 2007 taxes were collected are:

	2007 First Half Collections		2006 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 535,610,890	92.57%	\$ 487,594,490	86.65%
Public Utility	21,317,020	3.68%	24,008,850	4.27%
Tangible Personal	<u>21,689,585</u>	<u>3.75%</u>	<u>51,098,445</u>	<u>9.08%</u>
Total Assessed Value	<u>\$ 578,617,495</u>	<u>100.00%</u>	<u>\$ 562,701,785</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.10		\$ 34.10	

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 - CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to a change in policy. (See Note 2 for details). Below is a summary of the effect of these restatements:

	Balance		Restated
	June 30, 2006	Adjustments	Balance
			June 30, 2006
<u>Governmental Activities</u>			
Land	\$ 409,270	\$ -	\$ 409,270
Land and Improvements	-	236,300	236,300
Buildings and Building Improvements	17,036,484	334,894	17,371,378
Furniture, Fixtures, and Equipment	1,292,088	73,332	1,365,420
Vehicles	2,818,239	39,681	2,857,920
Less Accumulated Depreciation:	<u>(10,002,417)</u>	<u>(363,247)</u>	<u>(10,365,664)</u>
Total	<u>\$ 11,553,664</u>	<u>\$ 320,960</u>	<u>\$ 11,874,624</u>

	Restated			Balance
	Balance	Additions	Deletions	Balance
	7/1/2006			6/30/2007
Governmental Activities				
Nondepreciable Capital Assets				
Land	<u>\$ 409,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 409,270</u>
Depreciable Capital Assets				
Land and Improvements	236,300	-	-	236,300
Buildings and Building Improvements	17,371,378	500,000	(424,010)	17,447,368
Furniture, Fixtures, and Equipment	1,365,420	5,500	(90,925)	1,279,995
Vehicles	<u>2,857,920</u>	<u>160,367</u>	<u>(122,360)</u>	<u>2,895,927</u>
Total Depreciable Capital Assets	<u>21,831,018</u>	<u>665,867</u>	<u>(637,295)</u>	<u>21,859,590</u>
Less Accumulated Depreciation:				
Land and Improvements	(168,383)	(33,757)	-	(202,140)
Buildings and Building Improvements	(7,774,954)	(328,472)	165,736	(7,937,690)
Furniture, Fixtures, and Equipment	(777,284)	(75,471)	58,929	(793,826)
Vehicles	<u>(1,645,043)</u>	<u>(170,968)</u>	<u>122,360</u>	<u>(1,693,651)</u>
Total Accumulated Depreciation	<u>(10,365,664)</u>	<u>(608,668)</u>	<u>347,025</u>	<u>(10,425,167)</u>
Depreciable Capital Assets, Net				
Governmental Activities	<u>11,465,354</u>	<u>57,199</u>	<u>(290,270)</u>	<u>11,232,283</u>
Capital Assets, Net	<u>\$ 11,874,624</u>	<u>\$ 57,199</u>	<u>\$ (290,270)</u>	<u>\$ 11,641,553</u>

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 193,321
Special	24,502
Support Services:	
Instructional staff	2,404
Administration	10,407
Operation and maintenance of plant	155,868
Pupil transportation	169,067
Operation of non-instructional services	14,920
Extracurricular activities	38,179
Total Depreciation Expense	<u>\$ 608,668</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.

For fiscal year 2007, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 \$100,000 per individual annually and \$1,000,000 per individual, per lifetime. Settled claims have not exceeded this coverage for the past three years. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2007, were estimated by the third party administrator at \$493,426. 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
2006	\$ 969,841	\$ 3,349,808	\$ 3,832,858	\$ 486,791
2007	486,791	3,438,460	3,431,825	493,426

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 was \$2,322,305, \$2,114,704, and \$2,202,162, respectively; 81.7 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$8,805 made by the School District and \$26,511 made by plan members.

B. School Employees Retirement System

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

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$513,024, \$375,948, and \$477,887, respectively; 45.4 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 – POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$178,639.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2% of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$228,330 for fiscal year 2007.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (latest information available), were \$158,751,207. As of June 30, 2006 (latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

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.

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

NOTE 14 - NOTES PAYABLE

During fiscal year 2004, the School District issued \$1,100,000 in tax anticipation notes for general operations of the School District. The notes were issued under the authority of Ohio Revised Code Section 5748.05 for a five-year period, with final maturity during fiscal year 2009. The notes have an interest rate of 4.92 percent.

Principal and interest requirements to retire the notes payable outstanding at June 30, 2007, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 220,000	\$ 21,648	\$ 241,648
2009	220,000	10,824	230,824
	<u>\$ 440,000</u>	<u>\$ 32,472</u>	<u>\$ 472,472</u>

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/2006	Additions	Reductions	Balance at 6/30/2007	Amount Due within One Year
Governmental Activities					
2000 G.O. Bonds, maturing					
2009, 5.90%	\$ 515,000	\$ -	\$ (125,000)	\$ 390,000	\$ 130,000
Compensated absences	3,376,284	1,181,660	(454,682)	4,103,262	246,793
Capital leases	23,498	-	(23,498)	-	-
Total Long-term Obligations	<u>\$ 3,914,782</u>	<u>\$ 1,181,660</u>	<u>\$ (603,180)</u>	<u>\$ 4,493,262</u>	<u>\$ 376,793</u>

2000 General Obligation Bonds - In fiscal year 2001, the School District issued \$1,045,000 in unvoted general obligation bonds for providing energy conservation measures for the School District. The bonds were issued under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a nine year period, with final maturity during fiscal year 2010. The bonds are being retired through the Permanent Improvement capital projects fund.

Compensated absences will be paid from the general fund and the Food Service, Auxiliary Services, Disadvantaged Pupil Impact Aid, Migrant Education, Title VI-B, Title III, Title I, Drug Free Schools and Improving Teacher Quality special revenue funds.

The School District's overall debt margin was \$51,685,575 with an unvoted debt margin of \$578,617 at June 30, 2007.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2007, were as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 130,000	\$ 19,175	\$ 149,175
2009	130,000	11,505	141,505
2010	130,000	3,835	133,835
	<u>\$ 390,000</u>	<u>\$ 34,515</u>	<u>\$ 424,515</u>

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 16 - SET ASIDES

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and/or qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-aside. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District was not required to restrict a portion of their general fund cash balance as of the end of 2007. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	\$ (854)	\$ -
Current Year Set-Aside Requirement	615,035	615,035
Qualifying Expenditure	(616,723)	-
Current Year Offsets	-	(829,971)
Balance June 30, 2007	\$ (2,542)	\$ (214,936)
Balance carried forward to 2008	\$ (2,542)	\$ -

NOTE 17 - DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust funds consist of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$53,902, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$51,579 and is reflected as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. During fiscal year 2007, the School District paid \$67,696 to NOECA for various services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

B. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

C. Vanguard-Sentinel Career Center

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

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

D. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum, and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

E. Northwest Ohio Regional Professional Development Center

The Northwest Ohio Regional Professional Development Center (RPDC) is a jointly governed organization among the school districts in Defiance, Erie, Fulton, Henry, Lucas, Ottawa, Sandusky, Williams, and Wood counties. The RPDC focuses on the implementation of academic content standards and the deployment of State initiatives. All activities reflect definition of high quality professional development, including job-embedded, connected to strategic goals, sustained, intensive skill building, and measurement of impact on student learning.

The RPDC is governed by a fifteen member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. 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 Northwest Ohio Regional Professional Development Center, 414 Emerald Street, 2nd Floor, Toledo, Ohio 43602.

NOTE 19 - INSURANCE POOL

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

**Fremont City School District
Sandusky County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 20 - FISCAL CAUTION

On April 10, 2003, the School District was declared in fiscal caution by the State Department of Education due to projected deficits. The School District's current five-year forecast reflects positive fund balances through fiscal year 2008. Fiscal year 2010 currently reflects a projected deficit. The State Department of Education continues to monitor to School District's financial activity.

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

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

Fremont City School District
Schedule of Federal Awards Expenditures
For the Year Ending June 30, 2007

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Disbursements
<u>U.S. Department of Agriculture</u>			
Pass through Ohio Department of Development			
Nutrition Cluster:			
National School Lunch Program	10.555	\$532,830	\$532,830
Federal Snack Reimbursement	10.555	2,223	2,223
Fed. Reimburse - Super Program	10.558	35,457	35,457
Breakfast Program	10.553	98,516	98,516
Summer Food Service Program	10.559	6,151	6,151
Total Nutrition Cluster		675,177	675,177
Food Distribution	10.550	52,027	52,027
Total U.S. Department of Agriculture		727,204	727,204
<u>U.S. Department of Education</u>			
Pass through Ohio Department of Education			
ESEA Title I, Part C, Migrant Education—State Grant Program			
Title I Migrant Worker- FY 07	84.011	80,903	55,276
Title I Migrant Worker- FY 06	84.011	136,000	140,373
Total Title I - Migrant Education		216,903	195,649
ESEA Title I, Part A, Title I Grants to Local Education Agencies			
Title I - N/D FY 07	84.010	39,571	34,410
Title I - N/D FY 06	84.010	0	3,984
Title I - Targeted Asst. FY 07	84.010	20,640	14,843
Title I - Targeted Asst. FY 06	84.010	0	5,119
Title I - Schoolwide FY 07	84.010	675,629	619,235
Title I - Schoolwide FY 06	84.010	170,384	240,035
Total Title I - Grants to Local Education Agencies		906,224	917,626
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children			
Title VI - B - FY 07	84.027	1,191,597	1,167,057
Title VI - B - FY 06	84.027	0	34,936
Total Title VI - B		1,191,597	1,201,993
Career & Tech ED	84.048	20,000	27,068
Drug - Free School Grant			
Drug - Free School Grant - FY07	84.186	18,414	14,948
Drug - Free School Grant - FY06	84.186	1,726	6,111
Total Drug - Free School Grant		20,140	21,059
Even Start - FY07	84.213	77,300	71,774
Even Start - FY06	84.213	75,088	78,586
Total Even Start		152,388	150,360
Innovative Education Program Strategies			
Innovative Education Program Strategies - FY07	84.298	7,569	6,491
Innovative Education Program Strategies - FY06	84.298	0	3,163
Total Innovative Education Program Strategies		7,569	9,654
Title II-D Technology - FY06	84.318	0	1,525
Title II-D Technology - FY07	84.318	7,867	7,867
Total Title II-D		7,867	9,392
Title III			
Title III LEP - FY07	84.365	85,526	79,392
Title III LEP - FY06	84.365	0	15,128
Total Title III		85,526	94,520
Title II-A			
Improv. Teacher Quality - FY07	84.367	274,246	235,418
Improv. Teacher Quality - FY06	84.367	25,368	59,079
Total Title II-A		299,614	294,497
21st Century			
21st Century -FY07	84.287	222,038	208,834
21st Century -FY06	84.287	266,324	241,341
Total 21st Century		488,362	450,175
Total U.S. Department of Education		3,313,235	3,371,993
Total Federal Expenditures		\$4,040,439	\$4,099,197

See accompanying Notes to the Schedule of Federal Awards Expenditures

FREMONT CITY SCHOOL DISTRICT
Sandusky County, Ohio
Notes to the Federal Awards Expenditure Schedule
For the Year Ended June 30, 2007

1. Significant Accounting Policies

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

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2007, the District had immaterial food commodities in inventory.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Fremont City School District
Sandusky County
1220 Cedar Street, Suite A
Fremont, OH 43420

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County (District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 18, 2008, wherein we noted the District changed their capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Education, the audit committee, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

April 18, 2008

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

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

Fremont City School District
Sandusky County
1220 Cedar Street, Suite A
Fremont, OH 43420

To the Board of Education:

Compliance

We have audited the compliance of the Fremont City School District, Sandusky County (District), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

This report is intended for the information and use of management, the Board of Education, the audit committee, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

April 18, 2008

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

**Fremont City School District
Sandusky County
June 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

Fremont City School District
Sandusky County
June 30, 2007

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2007**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-FSSC-01	Lack of Capital Asset Management System	Yes	No Longer Valid



Mary Taylor, CPA
Auditor of State

FREMONT CITY SCHOOL DISTRICT

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 10, 2008**