



Dave Yost • Auditor of State

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fostoria City School District, Seneca County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 14, 2016

Fostoria City School District
Statement of Net Position - Cash Basis
June 30, 2015

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,208,155
Cash and Cash Equivalents with Fiscal Agent	1,113,389
Total Assets	5,321,544
 <u>Net Position:</u>	
Restricted for:	
Capital Projects	\$617,400
Debt Service	1,715,431
Set Asides	201,889
Other Purposes	250,668
Unrestricted	2,536,156
Total Net Position	\$5,321,544

See Accompanying Notes to Basic Financial Statements

Fostoria City School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2015

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$10,533,148	\$206,194	\$1,076,794	(\$9,250,160)
Special	2,878,672	67,315	2,030,019	(781,338)
Vocational	208,376	0	57,842	(150,534)
Adult/Continuing	2,704	0	13,368	10,664
Support Services:				
Pupils	908,763	0	163,177	(745,586)
Instructional Staff	1,367,713	0	0	(1,367,713)
Board of Education	30,525	0	0	(30,525)
Administration	1,668,159	0	0	(1,668,159)
Fiscal	595,302	0	0	(595,302)
Business	11,389	0	0	(11,389)
Operation and Maintenance of Plant	2,023,386	0	0	(2,023,386)
Pupil Transportation	843,634	8,309	47,916	(787,409)
Central	77,650	0	0	(77,650)
Non-Instructional Services	1,262,666	183,606	983,770	(95,290)
Extracurricular Activities	410,509	74,734	2,632	(333,143)
Capital Outlay	256,042	0	0	(256,042)
Debt Service:				
Principal Retirement	755,000	0	0	(755,000)
Interest and Fiscal Charges	20,415	0	0	(20,415)
Total Governmental Activities	<u>\$23,854,053</u>	<u>\$540,158</u>	<u>\$4,375,518</u>	<u>(18,938,377)</u>
<u>General Receipts:</u>				
Property Taxes Levied for:				
General Purposes				6,416,974
Debt Service				810,051
Permanent Improvements				203,974
Payment in Lieu of Taxes				40,000
Grants and Entitlements not Restricted to Specific Programs				13,453,679
Interest				29,639
Gifts and Donations				5,802
Miscellaneous				109,094
Total General Receipts				<u>21,069,213</u>
Change in Net Position				2,130,836
Net Position at Beginning of Year				<u>3,190,708</u>
Net Position at End of Year				<u>\$5,321,544</u>

See Accompanying Notes to Basic Financial Statements

Fostoria City School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2015

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,536,156	\$602,042	\$604,684	\$263,384	\$4,006,266
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	201,889	0	0	0	201,889
Cash and Cash Equivalents with Fiscal Agent	0	1,113,389	0	0	1,113,389
 Total Assets	 <u>\$2,738,045</u>	 <u>\$1,715,431</u>	 <u>\$604,684</u>	 <u>\$263,384</u>	 <u>\$5,321,544</u>
 <u>Fund Balances:</u>					
Restricted	\$201,889	\$1,715,431	\$604,684	\$263,384	\$2,785,388
Assigned	388,055	0	0	0	388,055
Unassigned	2,148,101	0	0	0	2,148,101
 Total Fund Balances	 <u>\$2,738,045</u>	 <u>\$1,715,431</u>	 <u>\$604,684</u>	 <u>\$263,384</u>	 <u>\$5,321,544</u>

See Accompanying Notes to Basic Financial Statements

Fostoria City School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Receipts:</u>					
Property Taxes	\$6,416,974	\$810,051	\$203,974	\$0	\$7,430,999
Payment in Lieu of Taxes	40,000	0	0	0	40,000
Intergovernmental	14,405,187	260,788	63,109	3,092,445	17,821,529
Interest	10,131	19,508	0	36	29,675
Tuition and Fees	272,457	0	0	0	272,457
Extracurricular Activities	0	0	0	71,490	71,490
Charges for Services	20,630	0	0	172,337	192,967
Gifts and Donations	5,802	0	0	2,632	8,434
Miscellaneous	109,094	0	0	8,244	117,338
Total Receipts	21,280,275	1,090,347	267,083	3,347,184	25,984,889
<u>Disbursements:</u>					
Current:					
Instruction:					
Regular	9,807,221	0	49,178	676,749	10,533,148
Special	2,489,554	0	0	389,118	2,878,672
Vocational	208,376	0	0	0	208,376
Adult/Continuing	334	0	0	2,370	2,704
Support Services:					
Pupils	792,350	0	0	116,413	908,763
Instructional Staff	723,525	0	0	644,188	1,367,713
Board of Education	30,525	0	0	0	30,525
Administration	1,639,000	0	0	29,159	1,668,159
Fiscal	575,045	16,320	3,937	0	595,302
Business	11,389	0	0	0	11,389
Operation and Maintenance of Plant	1,979,078	0	0	44,308	2,023,386
Pupil Transportation	843,380	0	0	254	843,634
Central	77,650	0	0	0	77,650
Non-Instructional Services	10,827	0	23,616	1,228,223	1,262,666
Extracurricular Activities	330,595	0	0	79,914	410,509
Capital Outlay	4,428	0	248,165	3,449	256,042
Debt Service:					
Principal Retirement	0	755,000	0	0	755,000
Interest and Fiscal Charges	0	20,415	0	0	20,415
Total Disbursements	19,523,277	791,735	324,896	3,214,145	23,854,053
Excess of Receipts Over (Under) Disbursements	1,756,998	298,612	(57,813)	133,039	2,130,836
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	104,613	0	0	104,613
Transfers Out	(104,613)	0	0	0	(104,613)
Total Other Financing Sources (Uses)	(104,613)	104,613	0	0	0
Changes in Fund Balances	1,652,385	403,225	(57,813)	133,039	2,130,836
Fund Balances at Beginning of Year	1,085,660	1,312,206	662,497	130,345	3,190,708
Fund Balances at End of Year	\$2,738,045	\$1,715,431	\$604,684	\$263,384	\$5,321,544

See Accompanying Notes to Basic Financial Statements

Fostoria City School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Receipts:</u>				
Property Taxes	\$6,244,142	\$6,244,142	\$6,416,974	\$172,832
Payment in Lieu of Taxes	40,000	40,000	40,000	0
Intergovernmental	14,244,386	14,244,386	14,405,187	160,801
Interest	7,500	7,500	9,943	2,443
Tuition and Fees	278,200	278,200	272,457	(5,743)
Charges for Services	23,200	23,200	20,630	(2,570)
Gifts and Donations	8,550	8,550	5,802	(2,748)
Miscellaneous	39,575	39,575	108,974	69,399
Total Receipts	20,885,553	20,885,553	21,279,967	394,414
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	10,138,443	10,021,404	9,860,012	161,392
Special	2,734,076	2,754,076	2,497,825	256,251
Vocational	228,306	228,306	225,300	3,006
Adult/Continuing	12,433	12,433	334	12,099
Support Services:				
Pupils	834,410	834,410	828,167	6,243
Instructional Staff	744,721	747,696	738,956	8,740
Board of Education	38,112	38,284	31,012	7,272
Administration	1,609,441	1,612,595	1,624,605	(12,010)
Fiscal	595,698	574,398	595,662	(21,264)
Business	110,338	55,338	18,857	36,481
Operation and Maintenance of Plant	1,853,107	2,011,108	2,089,152	(78,044)
Pupil Transportation	937,176	937,176	896,953	40,223
Central	67,831	67,831	77,650	(9,819)
Non-Instructional Services	8,284	10,184	10,827	(643)
Extracurricular Activities	354,721	354,721	336,845	17,876
Capital Outlay	17,782	4,728	4,428	300
Public School Support				
Administration	30,874	53,374	49,246	4,128
College Preview Night				
Pupils	1,500	0	0	0
Total Disbursements	20,317,253	20,318,062	19,885,831	432,231
Excess of Receipts Over Disbursements	568,300	567,491	1,394,136	826,645

(continued)

Fostoria City School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015
(continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	\$3,000	\$3,000	\$120	(\$2,880)
Advances In	3,000	3,000	0	(3,000)
Advances Out	(8,387)	(8,387)	0	8,387
Transfers Out	<u>(104,613)</u>	<u>(104,613)</u>	<u>(104,613)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(107,000)</u>	<u>(107,000)</u>	<u>(104,493)</u>	<u>2,507</u>
Changes in Fund Balance	461,300	460,491	1,289,643	829,152
Fund Balance at Beginning of Year	899,956	899,956	899,956	0
Prior Year Encumbrances Appropriated	<u>185,704</u>	<u>185,704</u>	<u>185,704</u>	<u>0</u>
Fund Balance at End of Year	<u>\$1,546,960</u>	<u>\$1,546,151</u>	<u>\$2,375,303</u>	<u>\$829,152</u>

See Accompanying Notes to Basic Financial Statements

Fostoria City School District
Statement of Cash Basis Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$103,062	\$37,372
<u>Net Position:</u>		
Held in Trust for Scholarships	\$66,062	\$0
Held for Student Activities	0	29,995
Endowment	37,000	0
Undistributed Assets	0	7,377
Total Net Position	\$103,062	\$37,372

See Accompanying Notes to Basic Financial Statements

Fostoria City School District
Statement of Cash Basis Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

<u>Additions:</u>	
Interest	\$30
Gifts and Donations	19,825
Total Additions	19,855
 <u>Deductions:</u>	
Non-Instructional Services	6,420
Change in Net Position	13,435
Net Position at Beginning of Year	89,627
Net Position at End of Year	\$103,062

See Accompanying Notes to Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was established in 1856. The District serves an area of approximately twenty-two square miles and is located in Seneca, Hancock, and Wood Counties. It is staffed by ninety-eight classified employees, one hundred thirty-five certified teaching personnel, and fifteen administrative employees who provide services to 2,056 students and other community members. The District currently operates two elementary schools, a middle/high school, an administration building, and three bus garages.

Reporting Entity

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

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

The District participates in three jointly governed organizations and an insurance pool. These organizations are the Northern Ohio Educational Computer Association, Vanguard-Sentinel Career and Technology Center, Bay Area Council of Governments, and the Ohio School Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District’s accounting policies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net position presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Fiduciary Funds

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

C. Basis of Accounting

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

D. Budgetary Process

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

E. Cash and Investments

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

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

During fiscal year 2015, the District invested in federal agency securities, mutual funds, and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s net asset value per share, which is the price the investment could be sold for on June 30, 2015.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2015 was \$10,131, which includes \$3,727 assigned from other District funds.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund include amounts required by State statute to be set aside for the acquisition or construction of capital improvements.

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

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net Position

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

K. Fund Balance

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

L. Interfund Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

M. Pensions

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2015, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB Statement No. 68". The implementation of these statements did not result in any changes to net position reported as of June 30, 2014, as the net pension liability is not reported in financial statements prepared following an other comprehensive basis of accounting. See Note 10 to the basic financial statements.

NOTE 4 - COMPLIANCE

The Permanent Improvement capital projects fund had expenditures plus encumbrances in excess of appropriations, in the amount of \$1,000, for the fiscal year ended June 30, 2015. The Treasurer will monitor budgetary transactions to ensure that expenditures are within amounts appropriated.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$362,776.

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,766,579 of the District's bank balance of \$3,016,889 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Investments

As of June 30, 2015, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Notes	\$99,838	6/24/16
Federal Home Loan Mortgage Corporation Notes	124,761	11/16/15
Federal Home Loan Mortgage Corporation Notes	149,936	5/13/16
Federal Home Loan Mortgage Corporation Notes	114,989	5/26/17
Federal Home Loan Mortgage Corporation Notes	179,415	9/29/17
Federal Home Loan Mortgage Corporation Notes	114,971	11/27/17
Federal National Mortgage Association Notes	1,113,079	9/11/15
Federal National Mortgage Association Notes	129,311	3/30/16
Federal National Mortgage Association Notes	123,782	7/5/16
Federal National Mortgage Association Notes	123,857	8/26/16
Federal National Mortgage Association Notes	74,561	8/28/17
Federal National Mortgage Association Notes	104,958	9/27/17
Federal National Mortgage Association Notes	129,287	10/26/17
Mutual Funds	4,410	33 Days
STAR Ohio	9,655	53.4 Days
	<u>\$2,596,810</u>	

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

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

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank	\$99,838	3.84%
Federal Home Loan Mortgage Association	684,072	26.34
Federal National Mortgage Association	1,798,835	69.27

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Seneca, Hancock, and Wood Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$119,788,740	69.97%	\$119,946,050	70.10%
Industrial/Commercial	41,100,310	24.00	40,718,600	23.80
Public Utility	10,326,660	6.03	10,433,570	6.10
Total Assessed Value	<u>\$171,215,710</u>	<u>100.00%</u>	<u>\$171,098,220</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$63.51		\$59.76	

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General District Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Automobile Liability	1,000,000
Cyber Liability	1,000,000
Buildings and Contents	77,997,683

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 2015, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

NOTE 9 - CONTRACTUAL COMMITMENTS

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2016 are as follows:

General Fund	\$362,776
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NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68" were effective for fiscal year 2015. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability is disclosed below.

Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period.

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services, and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

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

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining .82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$357,268 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP) and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307. The DBP plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increase effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

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

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

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

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

The District's contractually required contribution to STRS was \$1,110,995 for fiscal year 2015.

Net Pension Liability

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

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$4,743,723	\$20,159,866	\$24,903,589
Proportion of the Net Pension			
Liability	0.093732%	0.0828824%	

Actuarial Assumptions - SERS

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

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	entry age normal

Mortality table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$6,767,883	\$4,743,723	\$3,041,230

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
Projected Salary Increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males' ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

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

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$28,861,046	\$20,159,866	\$12,801,595

NOTE 11 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System (SERS)

Plan Description - The District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, .82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2015, this amount was \$20,450. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$47,725.

The District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 was \$22,379, \$3,575, and \$4,138, respectively. For fiscal year 2015, 80 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System of Ohio (STRS)

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

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. All benefit recipients for the most recent year pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$83,403, and \$87,501 respectively. The full amount has been contributed for all three fiscal years.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Employee Insurance Benefits

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

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
FY 2006 Energy Conservation					
Facilities Bonds					
Qualified Zone Academy Bond .5%	\$1,238,000	\$0	\$0	\$1,238,000	\$1,238,000

(continued)

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15	Amounts Due Within One Year
Governmental Activities (continued)					
General Long-Term Obligations (continued)					
FY 2014 Refunding School Improvement Bonds					
Serial Bonds 1-1.5%	\$2,140,000	\$0	\$755,000	\$1,385,000	\$800,000
Capital Appreciation Bonds 4.55-4.75%	50,000	0	0	50,000	0
Accretion on Capital Appreciation Bonds	1,105	16,447	0	17,552	0
Bond Premium	63,012	0	21,723	41,289	0
Total General Obligation Bonds	\$3,492,117	\$16,447	\$776,723	\$2,731,841	\$2,038,000

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2017. The maturity amount of the bonds is \$100,000. For fiscal year 2015, \$16,447 was accreted on the capital appreciation bonds for a total value of \$67,552 at fiscal year end.

The District's overall debt margin was \$14,490,333 with an unvoted debt margin of \$161,004 at June 30, 2015.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2015, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	QZAB	Serial	Capital Appreciation	Interest	Total
2016	\$1,238,000	\$800,000	\$0	\$74,675	\$2,112,675
2017	0	585,000	50,000	54,388	689,388
	\$1,238,000	\$1,385,000	\$50,000	\$129,063	\$2,802,063

Fostoria City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 14 - FUND BALANCE

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

Fund Balance	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Restricted for:					
Athletics and Music	\$0	\$0	\$0	\$6,083	\$6,083
Building Construction	0	0	0	12,716	12,716
Capital Improvements	201,889	0	0	0	201,889
Debt Retirement	0	1,715,431	0	0	1,715,431
Food Service Operations	0	0	0	100,712	100,712
Network Connectivity	0	0	0	515	515
Permanent Improvements	0	0	604,684	0	604,684
Regular Instruction	0	0	0	124,698	124,698
Special Instruction	0	0	0	18,660	18,660
Total Restricted	201,889	1,715,431	604,684	263,384	2,785,388
Assigned for:					
Extracurricular Activities	39,262	0	0	0	39,262
Unpaid Obligations	348,793	0	0	0	348,793
Total Assigned	388,055	0	0	0	388,055
Unassigned	2,148,101	0	0	0	2,148,101
Total Fund Balance	\$2,738,045	\$1,715,431	\$604,684	\$263,384	\$5,321,544

NOTE 15 - SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2015.

	<u>Capital Improvements</u>
Balance June 30, 2014	\$104,135
Current Year Set Aside Requirement	301,728
Current Year Offsets	(203,974)
Set Aside Reserve Balance June 30, 2015	<u>\$201,889</u>

NOTE 16 - INTERFUND TRANSFERS

During fiscal year 2015, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$104,613, to move receipts as debt payments came due.

NOTE 17 - DONOR RESTRICTED ENDOWMENTS

The District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$37,000, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$66,062 and is included as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among a number of school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. During fiscal year 2015, the District paid \$69,170 to NOECA for various services. Financial information can be obtained from NOECA, 219 Howard Drive, Sandusky, Ohio 44870.

B. Vanguard-Sentinel Career and Technology Center

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

C. Bay Area Council of Governments

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

NOTE 19 - INSURANCE POOL

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

NOTE 20 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. School Foundation

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

C. Litigation

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

NOTE 21 –SUBSEQUENT EVENT

The Board of Education passed a resolution declaring the necessity of submitting to the electors of the District the question of issuing school improvement bonds, in the amount of \$9,446,893, and the levying of an additional .5 mil tax to provide funds for acquiring, constructing, renovating, and/or financing permanent improvements. Residents of the District approved this issue on November 3, 2015.

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**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program			
Non-Cash Assistance (Commodities)		64,950	64,950
Cash Assistance		<u>577,473</u>	<u>577,473</u>
Total National School Lunch Program	10.555	642,423	642,423
Summer Food Service Program for Children	10.559	13,484	13,484
School Breakfast Program	10.553	<u>160,607</u>	<u>160,607</u>
Total U.S. Department of Agriculture		<u>816,514</u>	<u>816,514</u>
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	971,121	898,785
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	659,978	631,491
Special Education - Preschool Grants	84.173	<u>44,239</u>	<u>40,606</u>
Total Special Education Cluster		704,217	672,097
Education for Homeless Children and Youth	84.196	35,103	33,378
Twenty-First Century Community Learning Centers	84.287	12,020	6,487
Improving Teacher Quality State Grants	84.367	170,679	145,197
Rural and Low Income School Program	84.358	29,856	29,856
Adult Education - State Grant Program	84.002	<u>13,368</u>	<u>6,794</u>
Total U.S. Department of Education		<u>1,936,364</u>	<u>1,792,594</u>
Total Federal Awards Receipts and Expenditures		<u><u>\$2,752,878</u></u>	<u><u>\$2,609,108</u></u>

The accompanying notes are an integral part of this Schedule.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fostoria City School District, Seneca County, Ohio (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 14, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

January 14, 2016



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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

January 14, 2016

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2015-001

Noncompliance Citation

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

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

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

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

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	No	Not corrected. Repeated in this report as finding 2015-001

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FOSTORIA CITY SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 28, 2016**