



Mary Taylor, CPA
Auditor of State

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis – June 30, 2009.....	3
Basic Financial Statements – June 30, 2009:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2009.....	11
Statement of Activities – Cash Basis – For the fiscal year ended June 30, 2009	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds - June 30, 2009	14
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds - For the fiscal year ended June 30, 2009	15
Statement of Cash Receipts, Disbursements and Changes in Fund Balance Budget and Actual – Budget Basis - General Fund For the fiscal year ended June 30, 2009.....	16
Statement of Cash Receipts, Disbursements and Changes in Fund Balance Budget and Actual – Budget Basis – Termination Benefit Fund For the fiscal year ended June 30, 2009.....	17
Statement of Fund Net Assets - Cash Basis Proprietary Funds - June 30, 2009	18
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets – Cash Basis Proprietary Funds - For the fiscal year ended June 30, 2009.....	19
Statement of Fiduciary Net Assets – Cash Basis Fiduciary Funds - June 30, 2009	20
Notes to the Basic Financial Statements – For the year ended June 30, 2009.....	21
Management's Discussion and Analysis – June 30, 2008.....	43
Basic Financial Statements – June 30, 2008:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2008.....	51
Statement of Activities – Cash Basis – For the fiscal year ended June 30, 2008	52
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds - June 30, 2008	54
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds - For the fiscal year ended June 30, 2008	55

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Statement of Cash Receipts, Disbursements and Changes in Fund Balance Budget and Actual – - Budget Basis - General Fund For the fiscal year ended June 30, 2008.....	56
Statement of Fund Net Assets - Cash Basis Proprietary Funds June 30, 2008.....	57
Statement of Cash Receipts, Expenses and Changes in Fund Net Assets – Cash Basis Proprietary Funds - For the fiscal year ended June 30, 2008.....	58
Statement of Fiduciary Net Assets – Cash Basis Fiduciary Funds - June 30, 2008	59
Notes to the Basic Financial Statements – For the year ended June 30, 2008.....	61
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required By <i>Governmental Auditing Standards</i>	83
Schedule of Findings.....	85
Schedule of Prior Audit Findings.....	86
Independent Accountant's Report on Applying Agreed-Upon Procedures.....	87



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Fort Recovery Local School District
Mercer County
400 E. Butler Street
PO Box 604
Fort Recovery, Ohio 45846

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Recovery Local School District, Mercer County, (the School District), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Recovery Local School District, Mercer County, as of June 30, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund for fiscal year 2008 and for the General Fund and Termination Benefit Fund for fiscal year 2009, in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2009, on our consideration of the School 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 15, 2009

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The discussion and analysis of Fort Recovery Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- For governmental activities, net assets decreased \$222,552, which represents a 7 percent decrease from 2008. Net assets of business-type activities increased \$57,036 or 72 percent from 2008.
- General receipts accounted for \$7,956,800 in receipts or 84 percent of all governmental receipts. Program specific receipts in the form of charges for services, operating grants and contributions and interest and capital grants and contributions accounted for \$1,542,867 or 16 percent of total governmental receipts of \$9,499,667.
- The School District had \$9,672,219 in disbursements related to governmental activities; only \$1,542,867 of these disbursements was offset by program specific charges for services, grants or contributions. General receipts (primarily taxes and unrestricted state aid) of \$7,956,800 were adequate to provide for these programs.
- The General Fund, which is a major fund, had \$8,383,088 in receipts and \$7,968,846 in disbursements. The General Fund's balance increased \$46,262 from 2008.
- The Termination Benefits Fund's fund balance increased \$91,647 during fiscal year 2009. The General Fund transferred \$135,000 to the fund for future severance payouts.
- Net assets for business-type activities increased \$57,036 due to a transfer of \$50,000 from the General Fund to the Food Service Fund. Total business-type disbursements were \$433,673. \$438,499 received in program receipts were used to help cover these disbursements.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Fort Recovery Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Fort Recovery Local School District, the General Fund is by far the most significant fund.

The notes to the financial statements are an integral part of the district-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question.

The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental and business-type program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental and business-type activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Business-type activities are provided on a charge for goods or services basis to recover all of the disbursements of the good or services provided. The School District's business-type activities include food service operations and the preschool program.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 14. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund and Termination Benefits Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's only major governmental funds are the General Fund and Termination Benefit Fund.

Proprietary Funds – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities and Net Assets. The School District has two enterprise funds, the Food Service Fund and the Preschool Fund.

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2009 compared to fiscal year 2008 on a cash basis:

**(Table 1)
Net Assets**

	Governmental Activities		Business-Type Activities	
	2008	2009	2008	2009
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,375,984	\$3,153,432	\$79,056	\$136,092
Net Assets				
Restricted for:				
Capital Projects	162,345	141,635		
Debt Service	146,503	173,853		
Other Purposes	622,005	644,829		
Bus Purchases	5,079			
Unrestricted	2,440,052	2,193,115	79,056	136,092
Total Net Assets	\$3,375,984	\$3,153,432	\$79,056	\$136,092

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

As mentioned previously, net assets of governmental activities decreased \$222,552 or 7 percent during fiscal year 2009. During fiscal year 2008, the School District received a STEM grant. As the School District spent this grant during fiscal year 2009, net assets decreased. During fiscal year 2008, the School District received \$5,079 for school bus purchases. The School District received an additional \$8,004 for school bus purchases for fiscal year 2009. The School District purchased two buses during fiscal year 2009; therefore, no reserve for bus purchases existed at June 30, 2009. Unrestricted net assets decreased as the General Fund transferred \$170,000 to the Permanent Improvement Fund and \$135,000 to the Termination Benefits Special Revenue Fund.

Table 2 reflects the changes in net assets for fiscal year 2009 compared to fiscal year 2008.

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2008	Governmental Activities 2009	Business- Type Activities 2008	Business- Type Activities 2009
Receipts:				
Program Receipts:				
Charges for Services	\$ 555,777	\$ 560,507	\$316,505	\$367,518
Operating Grants and Contributions	1,430,936	974,356	59,225	70,981
Capital Grants and Contributions	5,079	8,004		
Total Program Receipts	<u>1,991,792</u>	<u>1,542,867</u>	<u>375,730</u>	<u>438,499</u>
General Receipts:				
Property and Income Taxes	3,092,176	3,288,102		
Grants and Entitlements Not Restricted to Specific Programs	4,386,251	4,577,173		
Sale of Assets, Interest and Miscellaneous	162,876	91,525	3,575	2,210
Total General Receipts	<u>7,641,303</u>	<u>7,956,800</u>	<u>3,575</u>	<u>2,210</u>
Total Receipts	<u>9,633,095</u>	<u>9,499,667</u>	<u>379,305</u>	<u>440,709</u>
Disbursements:				
Instruction	5,573,722	6,011,016		
Support Services	2,932,034	3,115,964		
Operation of Non-Instructional Services		6,350		
Extracurricular Activities	297,854	293,660		
Debt Service	254,732	245,229		
Food Services			379,594	378,443
Preschool Program			39,797	55,230
Total Disbursements	<u>9,058,342</u>	<u>9,672,219</u>	<u>419,391</u>	<u>433,673</u>
Transfers		(50,000)		50,000
Advances	(30,000)		30,000	
Increase (Decrease) in Net Assets	544,753	(222,552)	(10,086)	57,036
Net Assets, Beginning of Year	2,831,231	3,375,984	89,142	79,056
Net Assets, End of Year	<u>\$3,375,984</u>	<u>\$3,153,432</u>	<u>\$ 79,056</u>	<u>\$136,092</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

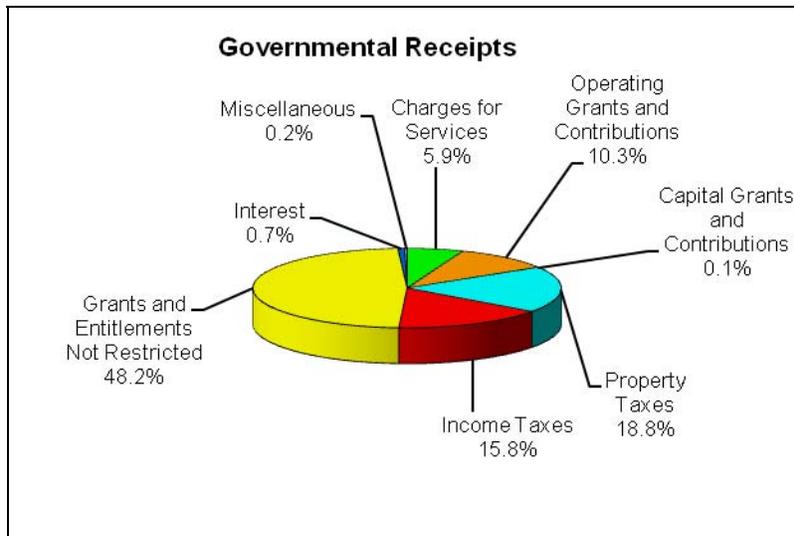
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Governmental Activities

Several sources fund the School District's governmental activities with the School Foundation being the largest contributor. Property and income taxes generated \$3.3 million. The combination of taxes and intergovernmental funding not restricted provide 82.8 percent of governmental funding. The School District monitors both of these sources very closely for fluctuations.

The School District received a STEM grant in fiscal year 2008 that contributed to the increase in operating grants and contributions for 2008. In addition, the School District continues to receive money from the State to replace the loss of tangible personal property tax monies. This replacement revenue is shown with grants and entitlements not restricted to specific programs. Property and income taxes increased for 2009 due to an increase in income taxes received.

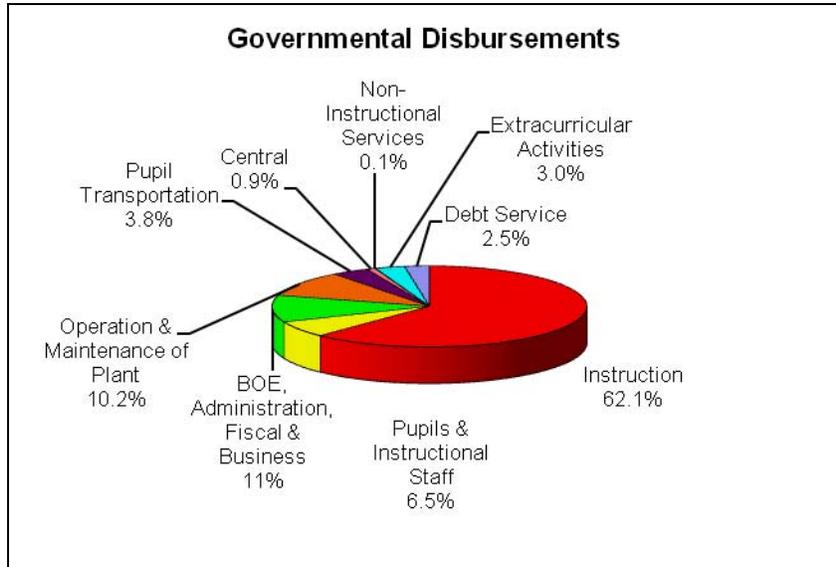
Disbursements in governmental funds increased 7 percent over 2008. The primary increase was in instruction disbursements caused by increases in salaries and benefits. Insurance costs continued to increase during fiscal year 2009. Even though the District implemented a 25 percent cost-cutting measure for all materials and supplies midway through the year, total costs in this area still increased over fiscal year 2008.



Instruction comprises 62.1% of the School District's disbursements. Support services make up 32.4% of disbursements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**



If you look at the Statement of Activities on page 12 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services.

The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement.

A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2009	Net Cost of Services 2009
Instruction	\$5,573,722	(\$3,892,382)	\$6,011,016	(\$4,716,908)
Support Services:				
Pupils and Instructional Staff	636,773	(486,164)	629,376	(507,884)
Board of Education, Administration, Fiscal and				
Business	1,011,699	(981,327)	1,038,590	(1,037,748)
Operation and Maintenance of Plant	960,289	(957,589)	991,115	(989,815)
Pupil Transportation	243,542	(238,463)	372,208	(364,204)
Central	79,731	(79,731)	84,675	(84,675)
Operation of Non-Instructional Services			6,350	(6,350)
Extracurricular Activities	297,854	(176,162)	293,660	(176,539)
Debt Service	254,732	(254,732)	245,229	(245,229)
Total Disbursements	\$9,058,342	(\$7,066,550)	\$9,672,219	(\$8,129,352)

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Instruction and student support services comprise approximately 69 percent of governmental program disbursements in fiscal year 2009. Board of Education, administration, fiscal and business are approximately 11 percent in fiscal year 2009. Interest disbursement is attributable to the outstanding bonds; fiscal disbursements include payments to the County Auditors for administrative fees and other administrative services provided to the School District. Pupil transportation and the operation of facilities accounts for approximately 14 percent of governmental program disbursements for fiscal year 2009.

The dependence upon property tax receipts and income tax receipts is apparent, as over 84 percent of governmental activities are supported through these general receipts.

Business-Type Activities

The School District's most significant business-type activity includes the operation of the food service program. Business-type activities had a increase of net assets of \$57,036 during fiscal year 2009. During fiscal year 2009, the General Fund transferred \$50,000 to the Food Services program to help cover the costs. During fiscal year 2010, the School District will continue to monitor the charges for these services to ensure costs are covered.

The School District's Funds

Total governmental funds had receipts of \$9,498,647 and disbursements of \$9,672,219. Contributing to the decrease in fund balances was the cash disbursements for a \$.5 million STEM grant received in fiscal year 2008.

Budgeting Highlights

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

During the course of fiscal year 2009, the School District did modify its General Fund budget. The School District uses site-based budgeting, and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For fiscal year 2009, the School District anticipated \$1,340,160 in income taxes but received \$1,500,839, an increase of \$160,679. In addition, the School District received over \$220,000 more in foundation monies for fiscal year 2009 than was originally anticipated.

The Termination Benefits fund received a transfer from the General Fund of \$135,000 which resulted in the fund balance increasing \$91,647. During fiscal year 2009, the School District was notified by the middle school principal and an assistant cook of their intended retirement at the end of fiscal year 2009 which resulted in the reallocation of original appropriations.

Capital Assets and Debt Administration

Capital Assets

The School District does not currently keep track of its capital assets and infrastructure for financial reporting purposes. The School District tracks its capital assets for inventory and insurance purposes only.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Debt

At June 30, 2009, the School District's outstanding debt included \$2,289,076 in general obligation bonds issued for improvements to buildings and structures. For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

Current Issues

Fort Recovery Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on the state school foundation program. However, the School District's residents did pass an additional .5 percent continuing school district income tax issue in May 2005 for general operating purposes.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall income generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and tax at 1.0 mil would pay \$35 annually in taxes. If three years later, the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to property owners) the effective tax rate would become .5 mills and the owner would still pay \$35. We presently are at the 20 mill floor.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed some of its tax receipts growth toward school districts with little property tax wealth (which is like our School District). It has been determined that the State has not met the standards of the Ohio Supreme Court.

The Fort Recovery Local School District does not anticipate any meaningful growth in State funding, if anything, the District anticipates cuts in State funding. This will have a significant impact on the School District.

All scenarios required management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lori Koch, Treasurer of Fort Recovery Local School District, 400 E. Butler Street, Fort Recovery, OH 45846.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2009**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$3,153,432	\$136,092	\$3,289,524
Total Assets	<u>3,153,432</u>	<u>136,092</u>	<u>3,289,524</u>
Net Assets			
Restricted for:			
Capital Projects	141,635		141,635
Debt Service	173,853		173,853
Other Purposes	644,829		644,829
Unrestricted	<u>2,193,115</u>	<u>136,092</u>	<u>2,329,207</u>
Total Net Assets	<u>\$3,153,432</u>	<u>\$136,092</u>	<u>\$3,289,524</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	
Governmental Activities:				
Instruction:				
Regular	\$4,301,886	\$345,486	\$191,499	
Special	1,426,668	20,079	293,565	
Vocational	276,322	1,034	442,445	
Other	6,140			
Support Services:				
Pupil	263,240	77,951	40,242	
Instructional Staff	366,136		3,299	
Board of Education	31,444			
Administration	765,076	842		
Fiscal	235,283			
Business	6,787			
Operation and Maintenance of Plant	991,115	1,300		
Pupil Transportation	372,208			\$8,004
Central	84,675			
Operation of Non-Instructional Services	6,350			
Extracurricular Activities	293,660	113,815	3,306	
Debt Service	245,229			
Total Governmental Activities	<u>9,672,219</u>	<u>560,507</u>	<u>974,356</u>	<u>8,004</u>
Business-Type Activities:				
Food Services	378,443	312,821	70,981	
Preschool Program	55,230	54,697		
Total Business-Type Activities	<u>433,673</u>	<u>367,518</u>	<u>70,981</u>	
Totals	<u>\$10,105,892</u>	<u>\$928,025</u>	<u>\$1,045,337</u>	<u>\$8,004</u>

General Receipts

Property Taxes Levied for:

General Purposes

Debt Service

Classroom Facilities & Maintenance

Income Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest

Miscellaneous

Total General Receipts

Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$3,764,901)		(\$3,764,901)
(1,113,024)		(1,113,024)
167,157		167,157
(6,140)		(6,140)
(145,047)		(145,047)
(362,837)		(362,837)
(31,444)		(31,444)
(764,234)		(764,234)
(235,283)		(235,283)
(6,787)		(6,787)
(989,815)		(989,815)
(364,204)		(364,204)
(84,675)		(84,675)
(6,350)		(6,350)
(176,539)		(176,539)
(245,229)		(245,229)
<u>(8,129,352)</u>		<u>(8,129,352)</u>
	\$5,359	5,359
	<u>(533)</u>	<u>(533)</u>
	4,826	4,826
<u>(8,129,352)</u>	<u>4,826</u>	<u>(8,124,526)</u>
1,524,388		1,524,388
229,727		229,727
33,148		33,148
1,500,839		1,500,839
4,577,173		4,577,173
68,515		68,515
23,010	2,210	25,220
<u>7,956,800</u>	<u>2,210</u>	<u>7,959,010</u>
<u>(50,000)</u>	<u>50,000</u>	
(222,552)	57,036	(165,516)
<u>3,375,984</u>	<u>79,056</u>	<u>3,455,040</u>
<u>\$3,153,432</u>	<u>\$136,092</u>	<u>\$3,289,524</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General Fund</u>	<u>Termination Benefits Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$2,193,115	\$374,097	\$586,220	\$3,153,432
Total Assets	<u>2,193,115</u>	<u>374,097</u>	<u>586,220</u>	<u>3,153,432</u>
Fund Balances				
Reserved for Encumbrances	151,877	29,900	91,089	272,866
Unreserved:				
Designated for Termination Benefits		344,197		344,197
Undesignated, Reported in:				
General Fund	2,041,238			2,041,238
Special Revenue Funds			181,138	181,138
Debt Service Fund			172,358	172,358
Capital Projects Funds			141,635	141,635
Total Fund Balances	<u>\$2,193,115</u>	<u>\$374,097</u>	<u>\$586,220</u>	<u>\$3,153,432</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Termination Benefits Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property Taxes	\$1,524,388		\$262,875	\$1,787,263
Income Taxes	1,500,839			1,500,839
Intergovernmental	4,960,064		540,756	5,500,820
Interest	68,515			68,515
Tuition and Fees	309,076			309,076
Extracurricular Activities			242,117	242,117
Miscellaneous	20,206		69,811	90,017
Total Receipts	<u>8,383,088</u>		<u>1,115,559</u>	<u>9,498,647</u>
Disbursements				
Current:				
Instruction				
Regular	3,645,859	\$37,003	619,024	4,301,886
Special	1,121,548		305,120	1,426,668
Vocational	269,975		6,347	276,322
Other	6,140			6,140
Support Services				
Pupil	176,134		87,106	263,240
Instructional Staff	335,404		30,732	366,136
Board of Education	31,444			31,444
Administration	743,502		21,574	765,076
Fiscal	228,770		6,513	235,283
Business	6,787			6,787
Operation and Maintenance of Plant	884,566		106,549	991,115
Pupil Transportation	246,494		125,714	372,208
Central	84,675			84,675
Operation of Non-Instructional Services		6,350		6,350
Extracurricular Activities	184,682		108,978	293,660
Debt Service:				
Principal Retirement	2,866		150,000	152,866
Interest			92,363	92,363
Total Disbursements	<u>7,968,846</u>	<u>43,353</u>	<u>1,660,020</u>	<u>9,672,219</u>
Excess of Receipts Over / (Under) Disbursements	<u>414,242</u>	<u>(43,353)</u>	<u>(544,461)</u>	<u>(173,572)</u>
Other Financing Sources (Uses)				
Operating Transfers - In		135,000	170,000	305,000
Advances - In	18,600		29,600	48,200
Operating Transfers - Out	(355,000)			(355,000)
Advances - Out	(32,600)		(15,600)	(48,200)
Proceeds from Sale of Assets	1,020			1,020
Total Other Financing (Uses) Sources	<u>(367,980)</u>	<u>135,000</u>	<u>184,000</u>	<u>(48,980)</u>
Net Change in Fund Balances	46,262	91,647	(360,461)	(222,552)
Fund Balances Beginning	<u>2,146,853</u>	<u>282,450</u>	<u>946,681</u>	<u>3,375,984</u>
Fund Balances End of Year	<u>\$2,193,115</u>	<u>\$374,097</u>	<u>\$586,220</u>	<u>\$3,153,432</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$1,543,766	\$1,493,476	\$1,524,388	\$30,912
Income Taxes	1,340,160	1,340,160	1,500,839	160,679
Intergovernmental	4,619,257	4,705,950	4,960,064	254,114
Interest	147,647	107,647	68,515	(39,132)
Tuition and Fees	286,133	286,133	309,076	22,943
Miscellaneous	14,800	14,797	20,206	5,409
Total Receipts	<u>7,951,763</u>	<u>7,948,163</u>	<u>8,383,088</u>	<u>434,925</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,799,187	3,797,587	3,653,479	144,108
Special	1,160,908	1,185,908	1,124,913	60,995
Vocational	302,781	302,781	273,678	29,103
Other	13,091	13,091	6,140	6,951
Support Services:				
Pupil	187,769	187,769	176,134	11,635
Instructional Staff	367,404	369,004	347,208	21,796
Board of Education	24,932	34,932	31,728	3,204
Administration	779,292	779,292	753,054	26,238
Fiscal	263,532	263,532	255,298	8,234
Business	9,649	9,649	6,787	2,862
Operation and Maintenance of Plant	910,957	963,957	949,272	14,685
Pupil Transportation	271,497	281,497	269,716	11,781
Central	85,938	93,938	85,767	8,171
Extracurricular Activities	181,984	191,034	184,682	6,352
Debt Service:				
Principal Retirement		2,866	2,866	
Total Disbursements	<u>8,358,921</u>	<u>8,476,837</u>	<u>8,120,722</u>	<u>356,115</u>
Excess of Receipts Over (Under) Disbursements	<u>(407,158)</u>	<u>(528,674)</u>	<u>262,366</u>	<u>791,040</u>
Other Financing Sources (Uses)				
Proceeds of Sale of Capital Assets	51	51	1,020	969
Advances - In		3,600	18,600	15,000
Operating Transfers - Out	(170,000)	(355,000)	(355,000)	
Advances - Out	(5,000)	(29,000)	(32,600)	(3,600)
Total Other Financing Sources (Uses)	<u>(174,949)</u>	<u>(380,349)</u>	<u>(367,980)</u>	<u>12,369</u>
Net Change in Fund Balance	(582,107)	(909,023)	(105,614)	803,409
Fund Balance Beginning of Year	2,057,796	2,057,796	2,057,796	
Prior Year Encumbrances Appropriated	89,056	89,056	89,056	
Fund Balance End of Year	<u>\$1,564,745</u>	<u>\$1,237,829</u>	<u>\$2,041,238</u>	<u>\$803,409</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - TERMINATION BENEFIT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Disbursements:				
Current:				
Instruction:				
Regular	\$87,003	\$37,003	\$37,003	
Support Services:				
Administration		42,200	29,900	\$12,300
Operation of Non-Instructional Services	2,577	10,377	6,350	4,027
Total Disbursements	<u>89,580</u>	<u>89,580</u>	<u>73,253</u>	<u>16,327</u>
Excess of Receipts Over (Under) Disbursements	(89,580)	(89,580)	(73,253)	16,327
Other Financing Sources				
Operating Transfers - In			135,000	135,000
Net Change in Fund Balance	(89,580)	(89,580)	61,747	151,327
Fund Balance Beginning of Year	242,870	242,870	242,870	
Prior Year Encumbrances Appropriated	<u>39,580</u>	<u>39,580</u>	<u>39,580</u>	
Fund Balance End of Year	<u>\$192,870</u>	<u>\$192,870</u>	<u>\$344,197</u>	<u>\$151,327</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2009**

	<u>Business - Type Activity</u>
	<u>Enterprise</u>
Assets	
Cash and Cash Equivalents	\$136,092
Total Assets	<u>136,092</u>
Net Assets	
Unrestricted	136,092
Total Net Assets	<u><u>\$136,092</u></u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET ASSETS
CASH BASIS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Business-Type Activity
	Enterprise
Operating Receipts	
Charges for Services	\$312,821
Tuition and Fees	54,697
Other Operating Revenues	2,160
Total Operating Receipts	369,678
 Operating Disbursements	
Salaries	176,161
Fringe Benefits	53,849
Purchased Services	5,808
Materials and Supplies	197,648
Other	207
Total Operating Disbursements	433,673
 Operating Loss	(63,995)
 Non-Operating Receipts	
Federal and State Subsidies	70,981
Other Non-Operating Receipts	50
Total Non-Operating Receipts	71,031
 Income before Transfers	7,036
 Transfers - In	50,000
 Change in Net Assets	57,036
 Net Assets Beginning of Year	79,056
 Net Assets End of Year	\$136,092

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2009**

	<u>Agency</u>
Assets	
Cash and Cash Equivalents	<u>\$47,157</u>
Total Assets	<u>47,157</u>
Liabilities	
Held for Students	42,511
Held for Employees	<u>4,646</u>
Total Liabilities	<u>\$47,157</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Fort Recovery Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in a rural community in Northwest Ohio. The School District is located in Mercer County. The School District was staffed by 42 non-certificated employees and 72 certificated full-time teaching personnel who provide services to 950 students and other community members.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Fort Recovery Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in five jointly governed organizations, three insurance purchasing pools and one related organization. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Mercer County Local Professional Development Committee
Educational Regional Service System Region 6
West Central Ohio Regional Professional Development Center
Northwestern Ohio Educational Research Council, Inc.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

Insurance Purchasing Pools:
Ohio Association of School Business Officials Workers' Compensation Group
Rating Plan
Mercer Auglaize Employee Benefit Trust
Ohio School Insurance Plan
Related Organization:
Fort Recovery Public Library

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 20, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental and business-type 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 government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support 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 School District's general receipts.

2. Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

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

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Termination Benefits Fund – This fund is used to account for monies set-aside for future severance payouts.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Proprietary Funds

The School District classifies funds financed primarily from user charges for goods or services as proprietary. The School District's proprietary funds consist of enterprise funds.

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's enterprise funds accounts for the adult education program, preschool program and lunch room funds.

3. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature. The School District only maintains agency funds which account for the Section 125 plan and those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School 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. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this 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 these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials and the fund financial statements for business-type activities would be presented on the accrual basis of accounting.

D. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Cash and Cash Equivalents" on the financial statements. Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

During fiscal years 2009, the School District invested in nonnegotiable certificates of deposits, repurchase agreements, and Fifth Third's Institutional Government Money Market Mutual Fund.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2009 was \$68,515, which included \$20,306 assigned from other School District funds.

E. Inventory and Prepaid Items

On a cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The School District's 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 paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislation. Net assets restricted for other purposes include resources restricted for music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. At fiscal year end 2009, the School District did not have any net assets restricted by enabling legislation.

L. Fund Balance Reserves and Designations

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits represents monies set aside by the Board for the future payment of those benefits.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another fund 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.

N. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the School District, these receipts are tuition for preschool and sales for food service. Operating disbursements are necessary costs incurred to provide the good or service that are the primary activity of the fund. Receipts and disbursements that do not meet these definitions are reported as non-operating.

O. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The 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 cash disbursements 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, except the General Fund. The legal level of control for the general fund is at the two digit function level within the fund. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, 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 Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and Termination Benefits 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 fiscal year-end encumbrances which are treated as cash disbursements (budget) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at fiscal year-end (budgetary basis) in the General Fund and the Termination Benefits Fund amounted to \$151,877 and \$29,900, respectively, at June 30, 2009.

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Interim monies held by the School District can 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial 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 with either the School 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 deposits being secured.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the carrying amount of the School District's deposits was \$1,065,167 and the bank balance was \$1,235,307. \$752,954 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$482,353 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

B. Investments

Investments are reported at fair value. As of June 30, 2009, the School District's investment included \$1,000,753 in repurchase agreements and \$1,270,761 in Fifth Third's Institutional Government Money Market Fund.

Interest Rate Risk – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements of ongoing operations. The average maturity of the Fifth Third Institutional Government Money Market Mutual Fund is 57 days.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The Fifth Third Institutional Government Money Market Mutual Fund carries an S&P credit rating of AAAm.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee." The School District's \$1,000,753 investment in repurchase agreements is exposed to credit risk due to the underlying securities are held by the investment's counterparty or its trust department or agent, not in the School District's name.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. The School District's investment percentage for repurchase agreements and the Fifth Third Institutional Government Money Market Mutual Fund are 44% and 56%, respectively.

5. PROPERTY TAXES

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

5. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 receipts received in calendar year 2008 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied on October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 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 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$74,673,580	90.54%	\$81,701,790	96.59%
Public Utility Personal	2,558,900	3.10%	2,883,660	3.41%
Tangible Personal Property	5,241,890	6.36%		0.00%
Total	\$82,474,370	100.00%	\$84,585,450	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$31.40		\$31.40	

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

6. INCOME TAXES

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. An original one percent tax was effective on January 1, 1991, with an additional .5 percent tax passed in May 2005. This is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District participated in the Ohio School Insurance Plan for property, fleet coverage, and liability insurance.

Coverage provided is as follows:

Building and Business Personal Property Coverage (\$1,000 deductible)	\$28,096,294
Automobile Liability (no deductible)	1,000,000
Uninsured/Underinsured Motorists (no deductible)	1,000,000
Education General Liability:	
Each Occurrence	1,000,000
Medical Expense – any one person/each accident	15,000
General Aggregate Limit	2,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease – each employee	1,000,000
Disease Policy Limit	1,000,000
Aggregate	2,000,000
Educational Legal Liability:	
Errors and Omissions Injury – each wrongful act (\$2,500 deductible)	1,000,000
Errors and Omissions Injury Aggregate	3,000,000
Sexual Misconduct and Molestation Liability:	
Each Offense	1,000,000
Aggregate	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

The School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates/McDonald provided administrative, cost control and actuarial services to the GRP through August 31, 2009. Effective August 31, 2009, Comp Management, Inc. provides the administrative, cost control and actuarial services to the GRP.

C. Health Care Benefits

The School District participates in the Mercer Auglaize Employee Trust (Trust), a public entity shared risk pool consisting of eleven local districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical, dental, and vision insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2009, the allocation to pension and death benefits is 9.09 percent of annual covered salary. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$88,113, \$80,673, and \$100,307 respectively; 42.39 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$511,604, \$490,295, and \$487,444, respectively; 82.99 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$10,598 made by the School District and \$15,314 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,270, \$5,813, and \$6,199 respectively; 42.39 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide 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 health care surcharge. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$54,966, \$51,455, and \$50,238 respectively; 42.39 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$39,354, \$17,448, and \$16,324, respectively; 82.99 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

10. 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 days of vacation per fiscal year, depending upon length of service. Vacation leave may be carried over from one year to the next and can be accumulated up to a 3 year maximum. Unused vacation time is paid to classified employees and administrators upon retirement. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, employees who meet the State requirement of 10 years of service will receive payment for twenty-five percent of accrued, but unused sick leave credit to a maximum of 150 days for all employees, plus an addition one and one-half days for each year over twenty years of service in the Fort Recovery School System (60 day maximum).

B. Insurance Benefits

The School District provides life insurance to most employees through AIG American General. Vision insurance is provided through the Vision Service Plan. Medical/surgical benefits and dental benefits are provided through CoreSource through the Mercer Auglaize Employee Benefit Trust (See Note 13).

11. DEBT

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Amount Outstanding 6/30/2008	Additions	Deletions	Amount Outstanding 6/30/2009	Amount Due in One Year
Governmental Activities					
1998 School Improvement Bonds					
Serial and Term Bonds 3.75%-4.9%	\$1,995,000		(\$150,000)	\$1,845,000	\$175,000
Capital Appreciation Bonds 7.5%	423,308	\$20,768		444,076	
Environmental Protection Agency					
1989 Asbestos Abatement Loan 0%	2,866		(2,866)		
Total Governmental Activities					
Long-Term Liabilities	<u>\$2,421,174</u>	<u>\$20,768</u>	<u>(\$152,866)</u>	<u>\$2,289,076</u>	<u>\$175,000</u>

1998 School Improvement General Obligation Bonds – On August 1, 1998, the School District issued \$3,389,193 in voted general obligation bonds for the acquisition, construction, and improvement to buildings and structures. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,705,000, \$1,500,000, and \$265,339, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, at the redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1, in the years and respective principal amounts as follows:

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. DEBT (Continued)

<u>Year</u>	<u>Amounts</u>
2014	\$190,000
2015	195,000
2016	205,000
2017	215,000
2018	225,000
2019	235,000

Unless previously redeemed, the remaining principal amount of \$235,000 will mature at stated maturity (December 1, 2020).

The term bonds maturing on or after December 1, 2009, are subjected to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2008, at the redemption prices (expressed as percentages of the principal amount to be redeemed) plus accrued interest to the redemption date as follows:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2008 through November 30, 2009	101%
December 1, 2009 and thereafter	100%

The capital appreciation bonds will mature in fiscal years 2011 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$525,000. For the fiscal year 2009, \$20,768 was accreted for total bond value of \$444,076.

1989 Asbestos Removal Loan – On June 2, 1989, the School District obtained an interest free loan for asbestos removal. The loan was issued for a twenty year period, with final maturity during fiscal year 2009. The loan was retired from the General Fund.

The School District's overall legal debt margin was \$5,757,341 and the un-voted debt margin was \$84,585 at June 30, 2009. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2009 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 175,000	\$ 85,088
2011	170,000	77,325
2012	155,638	182,530
2013	147,992	187,213
2014	140,446	191,564
2015-2019	1,030,000	245,736
2020-2021	470,000	23,029
Total	<u>\$2,289,076</u>	<u>\$992,485</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. DEBT (Continued)

In fiscal year 1997, the School District was awarded \$16,145,140 for construction and improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds remaining from the issuance of bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

12. SET-ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts 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. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, and capital improvements during fiscal year 2009.

	Textbooks and Instructional Material	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2008	(\$210,987)	
Current Year Set-aside Requirement	159,230	\$159,230
Qualifying Disbursements	(177,903)	(246,696)
Current Year Offset		(194,633)
Total	(229,660)	(282,099)
Excess Available to Carry-Over to Subsequent Year	(\$229,660)	\$ 0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbooks and instructional material amounts below zero. Ohio Revised Code 3315.17 allows for the extra amount for textbooks and instructional material to carry over into future years. However for capital acquisitions, the extra amount may not be used to reduce the set-aside requirement for future years.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION

A. Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative – The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among school districts in Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Van Wert and Wood counties. The jointly governed 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 districts. Each of the governments of these school supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2009, the School District contributed \$2,904 to NOACSC. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 645 South Main Street, Lima, OH 45804.

Mercer County Local Professional Development Committee – The School District is a participant in the Mercer County Local Professional Development Committee (Committee), which is a regional council of governments established to provide professional education license renewal standards and procedures. The Committee is governed by an eleven member board made up of six teachers, two principals, once superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$8,572 to the Committee during the fiscal year. Financial information can be obtained from Mary Brandon, Treasurer of the Mercer County Educational Service Center at 441 East Market Street, Celina, Ohio 45822.

Educational Regional Service System Region 6 – The School District participates in the Educational Regional Service System (ERSS) Region 6, a jointly governed organization consisting of educational entities within Allen, Auglaize, Champaign, Hardin, Logan, Mercer, and Shelby counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION (Continued)

West Central Ohio Regional Professional Development Center (Center) – The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District did not make any financial contributions to the Center during the fiscal year. Financial information can be obtained by contacting Greg Spiess, Treasurer, at the Hancock County Education Service Center, 7746 County Road 140, Findlay, Ohio 45840.

Northwestern Ohio Educational Research Council, Inc. – The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational programs, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research among, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, as well as representatives from two private and parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issued addressed by the Board of Directors. The School District contributed \$300 to NOERC during the fiscal year. Financial information can be obtained from Northwestern Ohio Educational Research Council, Inc., 441 E. Market Street, Celina, Ohio 45822.

B. Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan – The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool.

Mercer Auglaize Employee Benefit Trust – The Mercer Auglaize Employee Benefit Trust (Trust) is a insurance pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 50(C)(9) of the Internal Revenue Code and provides medical, dental and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plan offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler, JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION (Continued)

Ohio School Insurance Plan (Plan) – The School District participates in the Ohio School Insurance 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 board composed of officials from various member entities. The Hylant Administrative Services, LLC is the Plan's administrator and is responsible for processing claims. Financial information can be obtained from Ohio School Plan, c/o Hyland Administrative Services, LLC 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43606-2083.

C. Related Organization

Fort Recovery Public Library – The Fort Recovery Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. The School District did not make any financial contributions to the Fort Recovery Public Library during the fiscal year. Financial information can be obtained from the Fort Recovery Public Library, Marcia Staugler, Clerk/Treasurer, at 113 North Wayne Street, Fort Recovery, Ohio 45846.

14. INTERFUND BALANCES

At June 30, 2009, the General Fund had an unpaid interfund cash advance, in the amount of \$3,600, for a short-term loan made to the Vocational Education Enhancements special revenue fund. The advance will be repaid during fiscal year 2010. The General Fund also advanced \$7,000 to the Title I fund which is anticipated to be repaid during 2010. The General Fund also advanced \$7,000 to the Improving Teacher Quality Fund which is anticipated to be repaid during fiscal year 2010. These advances were due to the timing of the receipt of grants. At June 30, 2008, the General Fund had an unpaid interfund cash advance, in the amount of \$30,000, for a short-term loan made to the Food Service enterprise fund. During fiscal year 2009, this advance was renamed to a permanent transfer.

During fiscal year 2009, the School District transferred \$135,000 from the General Fund to the Termination Benefits special revenue fund. The transfer was to provide monies for future severance payments. In addition, the School District transferred \$170,000 from the General Fund to the Permanent Improvement capital projects fund, which is shown with other governmental funds. The transfer was to provide for capital acquisitions. Finally, the School District transferred \$50,000 from the General Fund to the Food Services Enterprise Fund. The transfer was to help cover expenses for the fiscal year.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

15. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

16. CONTRACTUAL COMMITMENTS

At June 30, 2009, the School District had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Outstanding At June 30, 2009</u>
Various employees severance pay	\$29,900
Ohio Department of Taxation	10,171
Rod Clifton	10,900
Waibel Energy Systems	10,664
Pitsco Inc.	38,441
CDW-G Computer Center	11,593
DP&L	15,842

17. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The discussion and analysis of Fort Recovery Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- For governmental activities, net assets increased \$544,753, which represents a 19 percent increase from 2007. Net assets of business-type activities decreased \$10,086 or 11 percent from 2007.
- General receipts accounted for \$7,641,303 in receipts or 79 percent of all governmental receipts. Program specific receipts in the form of charges for services, operating grants and contributions and interest and capital grants and contributions accounted for \$1,991,792 or 21 percent of total governmental receipts of \$9,633,095.
- The School District had \$9,058,342 in disbursements related to governmental activities; only \$1,991,792 of these disbursements was offset by program specific charges for services, grants or contributions. General receipts (primarily taxes and unrestricted state aid) of \$7,478,427 were adequate to provide for these programs.
- The major fund, the General Fund, had \$8,037,857 in receipts and \$7,859,134 in disbursements. The General Fund's balance decreased \$152,536 from 2007.
- Net assets for business-type activities decreased \$10,086 due to food service revenues not covering the disbursements needed to operate the program. Total business-type disbursements were \$419,391. \$375,730 received in program receipts were used to help cover these disbursements.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Fort Recovery Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Fort Recovery Local School District, the General Fund is by far the most significant fund.

The notes to the financial statements are an integral part of the district-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question.

The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental and business-type program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental and business-type activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Business-type activities are provided on a charge for goods or services basis to recover all of the disbursements of the good or services provided. The School District's business-type activities include food service operations and the preschool program.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 54. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

Governmental Funds – Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's only major governmental fund is the General Fund

Proprietary Funds – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities and Net Assets. The School District has three enterprise funds, the Food Service Fund, Adult Education Fund, and the Preschool Fund. The Adult Education Fund had no activity during FY 2008.

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2007 on a cash basis:

**(Table 1)
Net Assets**

	Governmental Activities		Business-Type Activities	
	2007	2008	2007	2008
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,831,231	\$3,375,984	\$89,142	\$79,056
Net Assets				
Restricted for:				
Capital Projects	45,215	87,651		
Debt Service	160,796	159,959		
Other Purposes	178,776	976,442		
Bus Purchases		5,079		
Unrestricted	2,446,444	2,146,853	89,142	79,056
Total Net Assets	\$2,831,231	\$3,375,984	\$89,142	\$79,056

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

As mentioned previously, net assets of governmental activities increased \$544,753 or 19 percent during fiscal year 2008. During fiscal year 2008, the School District received a STEM grant that contributed to the increase in net assets restricted for other purposes. At June 30, 2008, the School District received \$5,079 for school bus purchases. The School District did not purchase any school buses in fiscal year 2008, so these monies are shown as restricted net assets.

Table 2 reflects the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2007	Governmental Activities 2008	Business- Type Activities 2007	Business- Type Activities 2008
Receipts:				
Program Receipts:				
Charges for Services	\$ 467,776	\$ 555,777	\$319,505	\$316,505
Operating Grants and Contributions	817,857	1,430,936	53,644	59,225
Capital Grants and Contributions	8,007	5,079		
Total Program Receipts	<u>1,293,640</u>	<u>1,991,792</u>	<u>373,149</u>	<u>375,730</u>
General Receipts:				
Property and Income Taxes	2,907,404	3,092,176		
Grants and Entitlements Not Restricted to Specific Programs	4,342,720	4,386,251		
Sale of Assets, Interest and Miscellaneous	187,512	162,876	5,420	3,575
Total General Receipts	<u>7,437,636</u>	<u>7,641,303</u>	<u>5,420</u>	<u>3,575</u>
Total Receipts	<u>8,731,276</u>	<u>9,633,095</u>	<u>378,569</u>	<u>379,305</u>
Disbursements:				
Instruction	4,960,906	5,573,722		
Support Services	2,920,310	2,932,034		
Extracurricular Activities	291,841	297,854		
Debt Service	261,295	254,732		
Food Services			326,622	379,594
Preschool Program			44,920	39,797
Total Disbursements	<u>8,434,352</u>	<u>9,058,342</u>	<u>371,542</u>	<u>419,391</u>
Advances		(30,000)		30,000
Increase (Decrease) in Net Assets	296,924	544,753	7,027	(10,086)
Net Assets, Beginning of Year	<u>2,534,307</u>	<u>2,831,231</u>	<u>82,115</u>	<u>89,142</u>
Net Assets, End of Year	<u>\$2,831,231</u>	<u>\$3,375,984</u>	<u>\$ 89,142</u>	<u>\$ 79,056</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

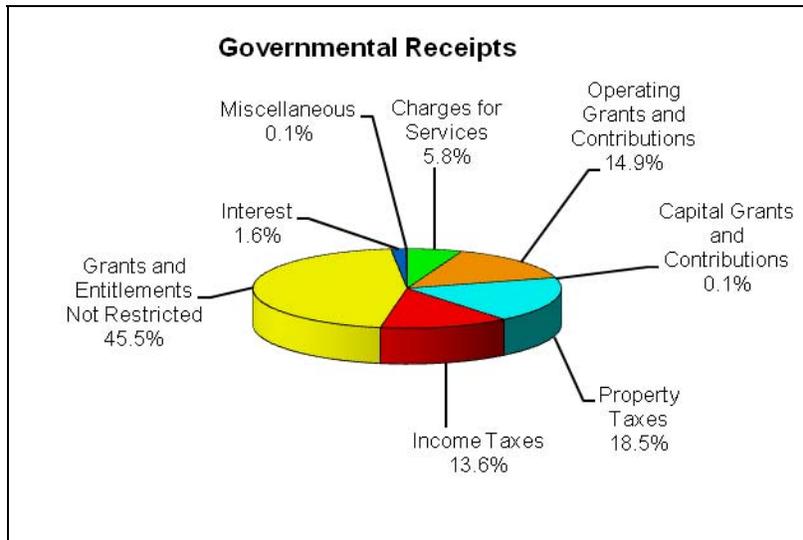
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Governmental Activities

Several sources fund the School District's governmental activities with the School Foundation being the largest contributor. Property and income taxes generated \$3.0 million. The combination of taxes and intergovernmental funding not restricted provide 77.6 percent of governmental funding. The School District monitors both of these sources very closely for fluctuations.

The School District received a STEM grant in fiscal year 2008 that contributed to the increase in operating grants and contributions. In addition, the School District continues to receive money from the State to replace the loss of tangible personal property tax monies. This replacement revenue is shown with grants and entitlements not restricted to specific programs.

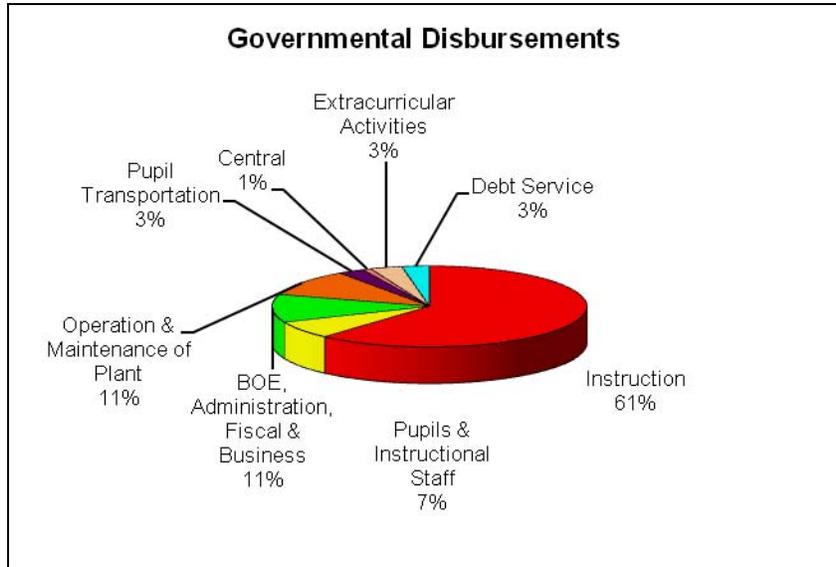
Disbursements in governmental funds increased 7 percent over 2007. The primary increase was in instruction disbursements caused by increases in salaries and benefits. Insurance costs continued to increase during fiscal year 2008. Costs for substitutes also increased, as the District experienced a higher number of staff absences during the year.



Instruction comprises 61% of the School District's disbursements. Support services make up 33% of disbursements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**



If you look at the Statement of Activities on page 52 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services.

The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement.

A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2008	Net Cost of Services 2008
Instruction	\$4,960,906	(\$3,958,737)	\$5,573,722	(\$3,892,382)
Support Services:				
Pupils and Instructional Staff	716,750	(560,721)	636,773	(486,164)
Board of Education, Administration, Fiscal and Business	1,015,854	(1,009,574)	1,011,699	(981,327)
Operation and Maintenance of Plant	850,429	(848,679)	960,289	(957,589)
Pupil Transportation	269,477	(261,470)	243,542	(238,463)
Central	67,800	(67,800)	79,731	(79,731)
Extracurricular Activities	291,841	(172,436)	297,854	(176,162)
Debt Service	261,295	(261,295)	254,732	(254,732)
Total Disbursements	\$8,434,352	(\$7,140,712)	\$9,058,342	(\$7,066,550)

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Instruction and student support services comprise approximately 69 percent of governmental program disbursements in fiscal year 2008. Board of Education, administration, fiscal and business are approximately 11 percent in fiscal year 2008. Interest disbursement is attributable to the outstanding bonds; fiscal disbursements include payments to the County Auditors for administrative fees and other administrative services provided to the School District. Pupil transportation and the operation of facilities accounts for approximately 13 percent of governmental program disbursements for fiscal year 2008.

The dependence upon property tax receipts and income tax receipts is apparent, as over 78 percent of governmental activities are supported through these general receipts.

Business-Type Activities

The School District's most significant business-type activity includes the operation of the food service program. Business-type activities had a decrease of net assets of \$10,086 during fiscal year 2008. During fiscal year 2008, the General Fund advanced \$30,000 to the Food Services program to help cover the costs. During fiscal year 2009, the School District will continue to monitor the charges for these services to ensure costs are covered and will decide how the advance will be repaid.

The School District's Funds

Total governmental funds had receipts of \$9,632,759 and disbursements of \$9,058,342. Contributing to the increase in fund balances was the receipt of a \$.5 million STEM grant in fiscal year 2008.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the School District did modify its General Fund budget. The School District uses site-based budgeting, and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For fiscal year 2008, General Fund budget basis receipts were \$7,905,352. This amount remained consistent through the end of the fiscal year.

Capital Assets and Debt Administration

Capital Assets

The School District does not currently keep track of its capital assets and infrastructure for financial reporting purposes. The School District tracks its capital assets for inventory and insurance purposes only.

Debt

At June 30, 2008, the School District's outstanding debt included \$2,421,174 in general obligation bonds issued for improvements to buildings and structures. In addition, the School District had \$2,866 in loans outstanding to the Environmental Protection Agency for asbestos removal. For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Current Issues

Fort Recovery Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on the state school foundation program. However, the School District's residents did pass an additional .5 percent continuing school district income tax issue in May 2005 for general operating purposes.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall income generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and tax at 1.0 mil would pay \$35 annually in taxes. If three year later, the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to property owners) the effective tax rate would become .5 mills and the owner would still pay \$35. We presently are at the 20 mill floor.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed some of its tax receipts growth toward school districts with little property tax wealth (which is like our School District). It has been determined that the State has not met the standards of the Ohio Supreme Court.

The Fort Recovery Local School District does not anticipate any meaningful growth in State funding, if any at all. This will have a significant impact on the School District.

All scenarios required management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lori Koch, Treasurer of Fort Recovery Local School District, 400 E. Butler Street, Fort Recovery, OH 45846.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets;			
Cash and Cash Equivalents	\$3,375,984	\$79,056	\$3,455,040
Total Assets	<u>3,375,984</u>	<u>79,056</u>	<u>3,455,040</u>
Net Assets;			
Restricted for:			
Capital Projects	87,651		87,651
Debt Service	159,959		159,959
Other Purposes	976,442		976,442
Bus Purchases	5,079		5,079
Unrestricted	<u>2,146,853</u>	<u>79,056</u>	<u>2,225,909</u>
Total Net Assets	<u>\$3,375,984</u>	<u>\$79,056</u>	<u>\$3,455,040</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$3,857,492	\$329,771	\$596,057	
Special	1,425,872	17,182	316,293	
Vocational	288,220	645	421,392	
Other	2,138			
Support Services:				
Pupil	269,730	83,537	12,938	
Instructional Staff	367,043	714	53,420	
Board of Education	12,458			
Administration	740,833	936	29,436	
Fiscal	249,023			
Business	9,385			
Operation and Maintenance of Plant	960,289	2,700		
Pupil Transportation	243,542			\$5,079
Central	79,731			
Extracurricular Activities	297,854	120,292	1,400	
Debt Service	254,732			
Total Governmental Activities	9,058,342	555,777	1,430,936	5,079
Business-Type Activities:				
Food Services	379,594	269,700	59,225	
Preschool Program	39,797	46,805		
Total Business-Type Activities	419,391	316,505	59,225	
Totals	\$9,477,733	\$872,282	\$1,490,161	\$5,079

General Receipts

Property Taxes Levied for:

General Purposes

Debt Service

Classroom Facilities & Maintenance

Income Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest

Miscellaneous

Total General Receipts

Advances

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$2,931,664)		(\$2,931,664)
(1,092,397)		(1,092,397)
133,817		133,817
(2,138)		(2,138)
(173,255)		(173,255)
(312,909)		(312,909)
(12,458)		(12,458)
(710,461)		(710,461)
(249,023)		(249,023)
(9,385)		(9,385)
(957,589)		(957,589)
(238,463)		(238,463)
(79,731)		(79,731)
(176,162)		(176,162)
(254,732)		(254,732)
<u>(7,066,550)</u>		<u>(7,066,550)</u>
	(\$50,669)	(50,669)
	7,008	7,008
	<u>(43,661)</u>	<u>(43,661)</u>
<u>(7,066,550)</u>	<u>(43,661)</u>	<u>(7,110,211)</u>
1,524,177		1,524,177
226,680		226,680
33,846		33,846
1,307,473		1,307,473
4,386,251		4,386,251
151,328	1,333	152,661
11,548	2,242	13,790
<u>7,641,303</u>	<u>3,575</u>	<u>7,644,878</u>
(30,000)	30,000	
544,753	(10,086)	534,667
2,831,231	89,142	2,920,373
<u>\$3,375,984</u>	<u>\$79,056</u>	<u>\$3,455,040</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and Cash Equivalents	\$2,141,774	\$1,229,131	\$3,370,905
Restricted Assets:			
Cash and Cash Equivalents	5,079		5,079
Total Assets	<u>2,146,853</u>	<u>1,229,131</u>	<u>3,375,984</u>
 Fund Balances:			
Reserved for Encumbrances	89,057	257,920	346,977
Reserved for Bus Purchases	5,079		5,079
Unreserved:			
Designated for Termination Benefits		282,450	282,450
Undesignated, Reported in:			
General Fund	2,052,717		2,052,717
Special Revenue Funds		441,151	441,151
Debt Service Fund		159,959	159,959
Capital Projects Funds		87,651	87,651
Total Fund Balances	<u>\$2,146,853</u>	<u>\$1,229,131</u>	<u>\$3,375,984</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
Property Taxes	\$1,524,177	\$260,526	\$1,784,703
Income Taxes	1,307,473		1,307,473
Intergovernmental	4,750,673	1,054,943	5,805,616
Interest	151,328		151,328
Tuition and Fees	289,358		289,358
Extracurricular Activities		251,984	251,984
Miscellaneous	14,848	27,449	42,297
Total Receipts	<u>8,037,857</u>	<u>1,594,902</u>	<u>9,632,759</u>
Disbursements:			
Current:			
Instruction:			
Regular	3,619,775	237,717	3,857,492
Special	1,113,935	311,937	1,425,872
Vocational	283,516	4,704	288,220
Other	2,138		2,138
Support Services:			
Pupil	175,483	94,247	269,730
Instructional Staff	336,416	30,627	367,043
Board of Education	12,458		12,458
Administration	728,875	11,958	740,833
Fiscal	242,530	6,493	249,023
Business	9,385		9,385
Operation and Maintenance of Plant	832,835	127,454	960,289
Pupil Transportation	242,743	799	243,542
Central	79,731		79,731
Extracurricular Activities	173,582	124,272	297,854
Debt Service:			
Principal Retirement	5,732	150,000	155,732
Interest		99,000	99,000
Total Disbursements	<u>7,859,134</u>	<u>1,199,208</u>	<u>9,058,342</u>
Excess of Receipts Over / (Under) Disbursements	<u>178,723</u>	<u>395,694</u>	<u>574,417</u>
Other Financing Sources (Uses):			
Operating Transfers - In		305,395	305,395
Advances - In	105,800	99,000	204,800
Refund of Prior Year Expenditures	286		286
Operating Transfers - Out	(305,395)		(305,395)
Advances - Out	(132,000)	(102,800)	(234,800)
Proceeds from Sale of Assets	50		50
Total Other Financing (Uses) Sources	<u>(331,259)</u>	<u>301,595</u>	<u>(29,664)</u>
Net Change in Fund Balances	(152,536)	697,289	544,753
Fund Balances Beginning	<u>2,299,389</u>	<u>531,842</u>	<u>2,831,231</u>
Fund Balances End of Year	<u>\$2,146,853</u>	<u>\$1,229,131</u>	<u>\$3,375,984</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL- BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$1,533,000	\$1,533,000	\$1,524,177	(\$8,823)
Income Taxes	1,257,000	1,257,000	1,307,473	50,473
Intergovernmental	4,744,000	4,744,000	4,750,673	6,673
Interest	155,000	155,000	151,328	(3,672)
Tuition and Fees	186,752	186,752	289,358	102,606
Miscellaneous	29,600	29,600	14,848	(14,752)
Total Receipts	<u>7,905,352</u>	<u>7,905,352</u>	<u>8,037,857</u>	<u>132,505</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,624,076	3,702,575	3,625,353	77,222
Special	849,971	1,129,971	1,114,515	15,456
Vocational	278,587	293,587	285,577	8,010
Other	18,514	18,514	2,963	15,551
Support Services:				
Pupil	183,317	183,317	175,483	7,834
Instructional Staff	400,345	355,346	345,422	9,924
Board of Education	37,108	37,108	15,913	21,195
Administration	727,294	741,794	735,178	6,616
Fiscal	214,319	267,319	258,343	8,976
Business	9,356	14,856	9,501	5,355
Operation and Maintenance of Plant	907,122	907,122	864,023	43,099
Pupil Transportation	274,645	289,645	256,525	33,120
Central	71,498	88,497	80,006	8,491
Extracurricular Activities	189,400	191,900	173,657	18,243
Debt Service:				
Principal Retirement	2,866	5,732	5,732	
Total Disbursements	<u>7,788,418</u>	<u>8,227,283</u>	<u>7,948,191</u>	<u>279,092</u>
Excess of Receipts Over (Under) Disbursements	<u>116,934</u>	<u>(321,931)</u>	<u>89,666</u>	<u>411,597</u>
Other Financing Sources (Uses):				
Proceeds of Sale of Fixed Assets	800	500	50	(450)
Advances - In			105,800	105,800
Refund of Prior Year Expenditures			286	286
Operating Transfers - Out	(170,000)	(305,395)	(305,395)	
Advances - Out	(35,400)	(132,000)	(132,000)	
Total Other Financing Sources (Uses)	<u>(204,600)</u>	<u>(436,895)</u>	<u>(331,259)</u>	<u>105,636</u>
Net Change in Fund Balance	(87,666)	(758,826)	(241,593)	517,233
Fund Balance Beginning of Year	2,081,472	2,081,472	2,081,472	
Prior Year Encumbrances Appropriated	<u>217,917</u>	<u>217,917</u>	<u>217,917</u>	
Fund Balance End of Year	<u>\$2,211,723</u>	<u>\$1,540,563</u>	<u>\$2,057,796</u>	<u>\$517,233</u>

See accompanying notes to the financial statements.

FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>Business - Type Activity</u>
	<u>Enterprise</u>
Assets	
Cash and Cash Equivalents	\$79,056
Total Assets	<u>79,056</u>
Net Assets	
Unrestricted	79,056
Total Net Assets	<u>\$79,056</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, EXPENSES, AND CHANGES IN FUND NET
ASSETS - CASH BASIS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Business-Type Activity
	Enterprise
Operating Receipts	
Charges for Services	\$269,700
Tuition & Fees	46,805
Total Operating Receipts	316,505
Operating Disbursements	
Salaries	172,391
Fringe Benefits	47,403
Purchased Services	7,346
Materials and Supplies	183,087
Capital Outlay	8,597
Other	567
Total Operating Expenses	419,391
Operating Loss	(102,886)
Non-Operating Receipts	
Federal and State Subsidies	59,225
Interest	1,333
Other Non-Operating Receipts	2,242
Total Non-Operating Receipts	62,800
Loss before Advances	(40,086)
Advances - In	30,000
Change in Net Assets	(10,086)
Net Assets Beginning of Year	89,142
Net Assets End of Year	\$79,056

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Agency</u>
Assets	
Cash and Cash Equivalents	<u>\$45,467</u>
Total Assets	<u><u>45,467</u></u>
Liabilities	
Held for Students	38,670
Held for Employees	<u>6,797</u>
Total Liabilities	<u><u>\$45,467</u></u>

See accompanying notes to the financial statements.

This page intentionally left blank.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Fort Recovery Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in a rural community in Northwest Ohio. The School District is located in Mercer County. The School District was staffed by 42 non-certificated employees and 72 certificated full-time teaching personnel who provide services to 950 students and other community members.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Fort Recovery Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in five jointly governed organizations, three insurance purchasing pools and one related organization. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Northwest Ohio Area Computer Services Cooperative
- Mercer County Local Professional Development Committee
- Educational Regional Service System Region 6
- West Central Ohio Regional Professional Development Center
- Northwestern Ohio Educational Research Council, Inc.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

Insurance Purchasing Pools:
Ohio Association of School Business Officials Workers' Compensation Group
Rating Plan
Mercer Auglaize Employee Benefit Trust
Ohio School Insurance Plan
Related Organization:
Fort Recovery Public Library

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 20, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental and business-type 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 government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support 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 School District's general receipts.

2. Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

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

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

The School District classifies funds financed primarily from user charges for goods or services as proprietary. The School District's proprietary funds consist of enterprise funds.

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's enterprise funds accounts for the adult education program, preschool program and lunch room funds.

3. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature. The School District only maintains agency funds which account for the Section 125 plan and those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School 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. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this 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 these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials and the fund financial statements for business-type activities would be presented on the accrual basis of accounting.

D. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Cash and Cash Equivalents" on the financial statements. Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

During fiscal years 2008, the School District invested in nonnegotiable certificates of deposits, repurchase agreements, and Fifth Third's Institutional Government Money Market Mutual Fund.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2008 was \$151,328, which included \$40,998 assigned from other School District funds.

E. Inventory and Prepaid Items

On a cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

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, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted cash and cash equivalents in the General Fund include unexpended amounts reserved for bus purchases.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

The School District's 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 paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislation. Net assets restricted for other purposes include resources restricted for music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. At fiscal year end 2008, the School District did not have any net assets restricted by enabling legislation.

M. Fund Balance Reserves and Designations

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and bus purchases.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits represents monies set aside by the Board for the future payments of those benefits.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another fund 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.

O. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the School District, these receipts are tuition for preschool and sales for food service. Operating disbursements are necessary costs incurred to provide the good or service that are the primary activity of the fund. Receipts and disbursements that do not meet these definitions are reported as non-operating.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The 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 cash disbursements 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, except the General Fund. The legal level of control for the general fund is at the two digit function level within the fund. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, 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 Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and Termination Benefits 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 fiscal year-end encumbrances which are treated as cash disbursements (budget) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at fiscal year-end (budgetary basis) in the General Fund amounted to \$89,057 at June 30, 2008.

4. DEPOSITS AND INVESTMENTS

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

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Board 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.

Interim monies held by the School District can 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial 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 with either the School 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 deposits being secured.

At fiscal year end, the carrying amount of the School District's deposits was \$1,103,748 and the bank balance was \$1,237,303. \$355,290 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$882,013 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

B. Investments

Investments are reported at fair value. As of June 30, 2008, the School District's investment included \$1,141,419 in repurchase agreements and \$1,255,340 in Fifth Third's Institutional Government Money Market Fund.

Interest Rate Risk – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements of ongoing operations. The average maturity of the Fifth Third Institutional Government Money Market Mutual Fund is 55 days.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The Fifth Third Institutional Government Money Market Mutual Fund carries an S&P credit rating of AAAm.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee." The School District's \$1,141,419 investment in repurchase agreements is exposed to credit risk due to the underlying securities are held by the investment's counterparty or its trust department or agent, not in the School District's name.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. The School District's investment percentage for repurchase agreements and the Fifth Third Institutional Government Money Market Mutual Fund are 48% and 52%, respectively.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 receipts received in calendar year 2008 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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.

Public utility property tax receipts received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. Tangible personal property is currently assessed at 6.25 percent of true value. For tax year 2009, the personal property tax will be 0 percent.

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 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 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$73,418,700	88.38%	\$74,673,580	90.54%
Public Utility Personal	3,031,610	3.65%	2,558,900	3.10%
Tangible Personal Property	6,618,600	7.97%	5,241,890	6.36%
Total	\$83,068,910	100.00%	\$82,474,370	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$31.40		\$31.40	

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. INCOME TAXES

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. An original one percent tax was effective on January 1, 1991, with an additional .5 percent tax passed in May 2005. This is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District participated in the Ohio School Insurance Plan for property, fleet coverage, and liability insurance.

Building and Business Personal	
Property Coverage (\$1,000 deductible)	\$28,130,508
Automobile Liability (no deductible)	1,000,000
Uninsured/Underinsured Motorists (no deductible)	1,000,000
Commercial General Liability:	
Each Occurrence	1,000,000
Medical Expense – any one person/each accident	15,000
General Aggregate Limit	2,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer’s Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease – each employee	1,000,000
Disease Policy Limit	1,000,000
Aggregate 2,000,000	
Educational Legal Liability:	
Errors and Omissions Injury – each wrongful act (\$2,500 deductible)	1,000,000
Errors and Omissions Injury Aggregate	1,000,000
Sexual Misconduct and Molestation Liability:	
Each Offense (\$2,500 deductible)	1,000,000
Aggregate	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates/McDonald provides administrative, cost control and actuarial services to the GRP.

C. Health Care Benefits

The School District participates in the Mercer Auglaize Employee Trust (Trust), a public entity shared risk pool consisting of eleven local districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical, dental, and vision insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

8. DEFINED BENEFIT PENSION PLANS

A School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$80,673, \$100,307 and \$101,771 respectively; 39.57 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$490,295, \$487,444, and \$445,135 respectively; 83.31 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$9,080 made by the School District and \$13,406 made by the plan members.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$14,641.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$51,455, \$50,238, and \$51,536 respectively; 39.57 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$5,813, \$6,199, and \$6,349 respectively; 39.57 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$17,448, \$16,324, and \$15,855, respectively; 83.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

10. 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 days of vacation per fiscal year, depending upon length of service. Vacation leave may be carried over from one year to the next and can be accumulated up to a 3 year maximum. Unused vacation time is paid to classified employees and administrators upon retirement. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, employees who meet the State requirement of 10 years of service will receive payment for twenty-five percent of accrued, but unused sick leave credit to a maximum of 150 days for all employees, plus an addition one and one-half days for each year over twenty years of service in the Fort Recovery School System (60 day maximum).

B. Early Retirement Incentive

The School District provides a financial incentive to teachers to consider beginning their service retirement during the first year of eligibility under the STRS standards. The School District offers a one-time "window" that permits teachers with experience in excess of 30 years to take advantage of this incentive for fiscal 2008 school year only. The teacher must notify the Board by April 1 that they intend to begin their STRS service retirement no later than the start of the succeeding school year. The teacher will receive an additional 60 days of severance pay. The incentive is made to the teacher in the first pay in January following retirement.

C. Insurance Benefits

The School District provides life insurance to most employees through Dearborn Life. Vision insurance is provided through the Vision Service Plan. Medical/surgical benefits and dental benefits are provided through CoreSource through the Mercer Auglaize Employee Benefit Trust (See Note 13).

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. DEBT

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Amount Outstanding 6/30/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2008</u>	<u>Amount Due in One Year</u>
Governmental Activities					
1998 School Improvement Bonds					
Serial and Term Bonds 3.75%-4.9%	\$2,145,000		(\$150,000)	\$1,995,000	\$150,000
Capital Appreciation Bonds 7.5%	403,511	\$19,797		423,308	
Environmental Protection Agency					
1989 Asbestos Abatement Loan 0%	8,598		(5,732)	2,866	2,866
Total Governmental Activities					
Long-Term Liabilities	<u>\$2,557,109</u>	<u>\$19,797</u>	<u>(\$155,732)</u>	<u>\$2,421,174</u>	<u>\$152,866</u>

1998 School Improvement General Obligation Bonds – On August 1, 1998, the School District issued \$3,389,193 in voted general obligation bonds for the acquisition, construction, and improvement to buildings and structures. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,705,000, \$1,500,000, and \$265,339, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, at the redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1, in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amounts</u>
2014	\$190,000
2015	195,000
2016	205,000
2017	215,000
2018	225,000
2019	235,000

Unless previously redeemed, the remaining principal amount of \$235,000 will mature at stated maturity (December 1, 2020).

The term bonds maturing on or after December 1, 2009, are subjected to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2008, at the redemption prices (expressed as percentages of the principal amount to be redeemed) plus accrued interest to the redemption date as follows:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2008 through November 30, 2009	101%
December 1, 2009 and thereafter	100%

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. DEBT (Continued)

The capital appreciation bonds will mature in fiscal years 2011 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$525,000. For the fiscal year 2008, \$19,797 was accreted for total bond value of \$423,308.

1989 Asbestos Removal Loan – On June 2, 1989, the School District obtained an interest free loan for asbestos removal. The loan was issued for a twenty year period, with final maturity during fiscal year 2009. The loan was retired from the General Fund.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		1989 EPA Asbestos Loan
	Principal	Interest	
2009	\$ 150,000	\$ 92,362	\$2,866
2010	175,000	85,088	
2011	170,000	77,325	
2012	148,499	182,530	
2013	141,066	187,213	
2014-2018	938,743	408,757	
2019-2021	695,000	51,572	
Total	<u>\$2,418,308</u>	<u>\$1,084,847</u>	<u>\$2,866</u>

In fiscal year 1997, the School District was awarded \$16,145,140 for construction and improvements to its facilities under the State’s “Classroom Facilities Program”. Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District’s portion of construction and maintenance costs. Any funds remaining from the issuance of bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

12. SET-ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts 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. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, and capital improvements during fiscal year 2008.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. SET-ASIDE REQUIREMENTS (Continued)

	Textbooks and Instructional Material	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2009	(\$216,022)	
Current Year Set-aside Requirement	153,970	\$153,970
Qualifying Disbursements	(148,935)	(218,109)
Current Year Offset		(52,871)
Total	<u>(210,987)</u>	<u>(117,010)</u>
Excess Available to Carry-Over to Subsequent Year	<u>(\$210,987)</u>	<u>\$ 0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbooks and instructional material amounts below zero. Ohio Revised Code 3315.17 allows for the extra amount for textbooks and instructional material to carry over into future years. However for capital acquisitions, the extra amount may not be used to reduce the set-aside requirement for future years.

13. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION

A. Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer services Cooperative (NOACSC) is a jointly governed organization among school districts in Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Van Wert and Wood counties. The jointly governed 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 districts. Each of the governments of these school supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2008, the School District contributed \$9,004 to NOACSC. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 645 South Main Street, Lima, OH 45804.

Mercer County Local Professional Development Committee - The School District is a participant in the Mercer County Local Professional Development Committee (Committee), which is a regional council of governments established to provide professional education license renewal standards and procedures. The Committee is governed by an eleven member board made up of six teachers, two principals, once superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$9,246 to the Committee during the fiscal year. Financial information can be obtained from Mary Brandon, Treasurer of the Mercer County Educational Service Center at 441 East Market Street, Celina, Ohio 45822.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION (Continued)

Educational Regional Service System Region 6

The School District participates in the Educational Regional Service System (ERSS) Region 6, a jointly governed organization consisting of educational entities within Allen, Auglaize, Champaign, Hardin, Logan, Mercer, and Shelby counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative.

West Central Ohio Regional Professional Development Center (Center) – The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$315 to the Center during the fiscal year. Financial information can be obtained by contacting Greg Spiess, Treasurer, at the Hancock County Education Service Center, 7746 County Road 140, Findlay, Ohio 45840.

Northwestern Ohio Educational Research Council, Inc.- The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational programs, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research among, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, as well as representatives from two private and parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issued addressed by the Board of Directors. The School District contributed \$300 to NOERC during the fiscal year. Financial information can be obtained from Northwestern Ohio Educational Research Council, Inc., 441 E. Market Street, Celina, Ohio 45822.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION (Continued)

B. Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool.

Mercer Auglaize Employee Benefit Trust – The Mercer Auglaize Employee Benefit Trust (Trust) is a insurance pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 50(C)(9) of the Internal Revenue Code and provides medical, dental and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plan offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler, JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

Ohio School Insurance Plan (Plan) – The School District participates in the Ohio School Insurance 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 board composed of officials from various member entities. The Hylant Administrative Services, LLC is the Plan's administrator and is responsible for processing claims. Financial information can be obtained from Ohio School Plan, c/o Hyland Administrative Services, LLC 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43606-2083.

C. Related Organization

Fort Recovery Public Library – The Fort Recovery Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. The School District did not make any financial contributions to the Fort Recovery Public Library during the fiscal year. Financial information can be obtained from the Fort Recovery Public Library, Marcia Staugler, Clerk/Treasurer, at 113 North Wayne Street, Fort Recovery, Ohio 45846.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. INTERFUND BALANCES

At June 30, 2008, the General Fund had an unpaid interfund cash advance, in the amount of \$3,600, for a short-term loan made to the Vocational Education Enhancements special revenue fund. The advance was due to the timing of the receipt of grants. The advance will be repaid during fiscal year 2009. In addition, the General Fund had an unpaid interfund cash advance, in the amount of \$30,000, for a short-term loan made to the Food Service enterprise fund. The advance was made to help cover the expenses for the fiscal year. The advance will be repaid during fiscal year 2009.

During fiscal year 2008, the School District transferred \$135,395 from the General Fund to the Termination Benefits special revenue fund, which is shown with other governmental funds. The transfer was to provide monies for future severance payments. In addition, the School District transferred \$170,000 from the General Fund to the Permanent Improvement capital projects fund, which is shown with other governmental funds. The transfer was to provide for capital acquisitions.

15. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

16. CONTRACTUAL COMMITMENTS

At June 30, 2008, the School District had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Outstanding at 6/30/08</u>
Daktronics, Inc	\$ 16,522
Depco, LLC	26,535
Various employees severance pay	39,580
Midwest Laser	36,347
Moeller Door Sales	20,150
Ohio Department of Taxation	11,763
Securcom	24,286

17. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

Fort Recovery Local School District
Mercer County
400 E. Butler Street
PO Box 604
Fort Recovery, Ohio 45846

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Recovery Local School District, Mercer County, (the School District), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 15, 2009, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

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

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 15, 2009

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2009-001

NONCOMPLIANCE CITATION

Ohio Rev. Code Section 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. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal years 2008 and 2009 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 omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their annual financial reports in accordance with generally accepted accounting principles to present an accurate picture of its assets, liabilities, and other disclosures.

Officials Response:

These citations were a result of the District not preparing its financial statements in accordance with generally accepted accounting principles (GAAP). The District has prepared its financial statements using an alternative cash basis of financial reporting by compiling and completing OCBOA (other comprehensive basis of accounting) financial reports for fiscal years ended June 30, 2008 and 2009. The District views this basis of accounting as a Government Accounting Standards Board approved alternative to GAAP reporting. While we admit that the Ohio Administrative Code requires the District to file our financial reports on a GAAP basis, the District believes that the financial costs associated with generating and auditing the reports on the GAAP basis, outweigh any benefits that the District may obtain from preparing and filing GAAP reports.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 117.38 and OAC 117-2-03 (B) – failure to prepare and file GAAP basis annual financial report.	No	Repeated as finding 2009-001



Mary Taylor, CPA

Auditor of State

Independent Accountant's Report on Applying Agreed-Upon Procedures

Fort Recovery Local School District
Mercer County
400 E. Butler Street
PO Box 604
Fort Recovery, Ohio 45846

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Fort Recovery Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on November 20, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

- 6) A procedure for documenting any prohibited incident that is reported;
- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 15, 2009



Mary Taylor, CPA
Auditor of State

FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER 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
DECEMBER 8, 2009