

***FREMONT CITY SCHOOL DISTRICT***

***SANDUSKY COUNTY***

**Audit Report**

**For the Year Ended June 30, 2009**

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





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Fremont City School District, Sandusky County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 26, 2010

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**FREMONT CITY SCHOOL DISTRICT**  
**SANDUSKY COUNTY**  
**AUDIT REPORT**  
**For the Year Ending June 30, 2009**

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County, Ohio, (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

***Charles E. Harris & Associates, Inc.***

January 25, 2010

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

The discussion and analysis of Fremont City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 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 basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Highlights for fiscal year 2009 are as follows:

- Net assets of governmental activities increased \$5,124,804 from 2008.
- General revenues accounted for \$36,791,653 in revenue or 82.7% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$7,679,825 or 17.3% of total revenues of \$44,471,478.
- The School District had \$39,346,674 in expenses related to governmental activities; only \$7,679,825 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$36,791,653 were adequate to provide for these programs.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of \$31,416,205, an increase of \$23,099,896 from the prior fiscal year.
- The School District issued \$9,430,861 and \$9,500,000 in general obligation bonds and bond anticipation notes, respectively, for the purpose of capital improvements.

**Using the Basic Financial Statements**

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

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

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



**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to that, which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

**Reporting the School District's Most Significant Funds**

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

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of the funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Proprietary Funds - Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities. The internal service fund accounts for self-insurance for health insurance coverage and is reported separately as the School District's only proprietary fund.

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

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

**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.

**Table 1  
Net Assets**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b>Assets:</b>		
Current and other assets	\$ 48,549,135	\$ 24,812,986
Capital assets, net	<u>15,230,772</u>	<u>14,604,596</u>
<i>Total assets, net</i>	<u><u>63,779,907</u></u>	<u><u>39,417,582</u></u>
<b>Liabilities:</b>		
Current and other liabilities	14,481,667	14,332,385
Long-term liabilities	<u>23,337,436</u>	<u>4,249,197</u>
<i>Total liabilities</i>	<u><u>37,819,103</u></u>	<u><u>18,581,582</u></u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	15,100,772	14,344,596
Restricted	6,005,281	4,334,943
Unrestricted (deficit)	<u>4,854,751</u>	<u>2,156,461</u>
<i>Total net assets</i>	<u><u>\$ 25,960,804</u></u>	<u><u>\$ 20,836,000</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the School District's assets exceeded liabilities by \$25,960,804.

Invested in capital assets, net of related debt reported on the government-wide statements represents a portion of the School District's total net assets. Capital assets include land and land improvements, buildings, equipment, vehicles and construction in progress used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$6,005,281, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$1,509,350 or 25.1% is restricted for capital projects; \$532,513 or 8.9% is restricted for debt service payment; and \$3,963,418 or 66%, is restricted for other purposes. The remaining balance of government-wide unrestricted net assets of \$4,854,751 was sufficient to meet the government's ongoing obligations to students and staff.

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

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

**Table 2  
Change in Net Assets**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 1,631,443	\$ 1,689,777
Operating grants, contributions, and interest	4,984,095	5,418,501
Capital grants and contributions	1,064,287	16,208
General revenues:		
Taxes	18,866,447	18,279,209
Grants and entitlements	16,648,112	14,937,185
Payment in lieu of taxes	757,595	1,444,249
Interest	349,018	414,815
Miscellaneous	170,481	253,514
Capital contributions	-	3,187,433
<i>Total revenues</i>	<u>44,471,478</u>	<u>45,640,891</u>
<b>Expenses:</b>		
Instruction:		
Regular	16,434,245	16,518,709
Special	6,263,634	5,644,953
Vocational	108,417	76,683
Other	373,383	51,399
Support services:		
Pupils	2,255,006	2,323,980
Instructional staff	1,836,260	1,891,918
Board of education	90,273	46,033
Administration	2,977,415	2,796,619
Fiscal	792,325	1,130,739
Business	149,015	102,054
Operation of maintenance of plant	3,316,769	3,437,681
Pupil transportation	1,405,567	1,430,964
Central	99,281	93,095
Operation of non-instructional services	2,053,170	2,351,485
Extracurricular services	858,260	729,078
Interest and fiscal charges	333,654	36,987
<i>Total expenses</i>	<u>39,346,674</u>	<u>38,662,377</u>
<i>Increase in net assets</i>	<u>\$ 5,124,804</u>	<u>\$ 6,978,514</u>

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

**Change in Net Assets**

Governmental Activities - The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 27.9 percent of total revenues for governmental activities for the School District in fiscal year 2009. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

The School District has an income tax which is also a critical revenue used to support operations. For 2009, this revenue amounted to 14.5 percent of total revenues.

Program revenues represented 17.3 percent of total revenues for fiscal year 2009. Program revenues generally represent tuition and fees, charges for extracurricular activities, and food service sales.

As stated previously, general revenues were 82.7 percent of total revenues for fiscal year 2009 and while general revenues decreased \$1,724,752 over the previous fiscal year, dependence on tax resources and unrestricted grants and entitlements, primarily State foundation resources, will continue to be the primary support for School District operations.

Program expenses for 2009 increased \$684,297 or 1.8 percent over 2008. The increase was attributed mainly to payments and accruals made for retirement incentive costs in prior years for the purpose of future savings.

The major program expenses for governmental activities are for instruction, which in 2009, accounted for 58.9 percent of all governmental expenses. Other programs which support the instruction process, including pupils support, instructional staff, and pupil transportation account for 14 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, of 8.4 percent.

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

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction:				
Regular	16,434,245	\$ 16,518,709	(14,091,838)	(15,469,579)
Special	6,263,634	5,644,953	(4,666,599)	(3,693,976)
Vocational	108,417	76,683	(106,417)	(76,683)
Other	373,383	51,399	(373,383)	(51,399)
Support services:				
Pupils	2,255,006	2,323,980	(2,000,767)	(2,085,756)
Instructional staff	1,836,260	1,891,918	(1,047,232)	(1,157,731)
Board of education	90,273	46,033	(90,273)	(46,033)
Administration	2,977,415	2,796,619	(2,873,102)	(2,658,653)
Fiscal	792,325	1,130,739	(778,960)	(1,103,863)
Buisness	149,015	102,054	(149,015)	(102,054)
Operation and maintenance of plant	3,316,769	3,437,681	(3,272,259)	(3,368,603)
Pupil transportation	1,405,567	1,430,964	(1,342,020)	(1,375,648)
Central	99,281	93,095	(87,758)	(79,312)
Operation of non-instructional services	2,053,170	2,351,485	87,730	113,799
Extracurricular services	858,260	729,078	(541,302)	(345,413)
Interest and fiscal charges	333,654	36,987	(333,654)	(36,987)
<i>Total expenses</i>	<u>\$ 39,346,674</u>	<u>\$ 38,662,377</u>	<u>\$ (31,666,849)</u>	<u>\$ (31,537,891)</u>

As noted earlier, the program costs for fiscal year 2009 are comparable to the prior fiscal year with a 1.8 percent increase and the amount of program revenues provided to off-set these expenses, which has also increased 7.8 percent.

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

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the general fund where revenues exceeded expenditures for the fiscal year, and the classroom facilities capital projects fund which accounts for all transaction related to building and equipping of classroom facilities.

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

**Table 4  
Fund Balances**

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
General	\$ 5,708,157	\$ 3,604,982	\$ 2,103,175	58.34
Classroom facilities	19,277,281	-	19,277,281	-
Other governmental	<u>6,430,767</u>	<u>4,711,327</u>	<u>1,719,440</u>	36.50
Total	<u>\$ 31,416,205</u>	<u>\$ 8,316,309</u>	<u>\$ 23,099,896</u>	

The School District's general fund revenues increased \$1,290,327 and expenditures increased \$1,102,949 from 2008. The most significant cause to these changes for revenues was an increase of \$1,592,241 in intergovernmental revenue. Total expenditures increased mainly in the area of instruction and related services provided to students.

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

	2009 <u>Amount</u>	2008 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 17,395,387	\$ 17,375,798	\$ 19,589	0.11
Intergovernmental	16,392,016	14,799,775	1,592,241	10.76
Interest	253,698	413,043	(159,345)	(38.58)
Tuition and fees	464,416	594,855	(130,439)	(21.93)
Extracurricular activities	93,908	154,974	(61,066)	(39.40)
Gifts and donations	2,361	745	1,616	216.91
Charges for service	55,432	-	55,432	-
Rent	9,156	20,452	(11,296)	(55.23)
Miscellaneous	<u>163,808</u>	<u>180,213</u>	<u>(16,405)</u>	(9.10)
Total	<u>\$ 34,830,182</u>	<u>\$ 33,539,855</u>	<u>\$ 1,290,327</u>	
<b><u>Expenditures:</u></b>				
Instruction	21,208,681	20,126,499	1,082,182	5.38
Support services	10,958,446	11,002,368	(43,922)	(0.40)
Operation of non-instructional services	13,373	14,236	(863)	(6.06)
Extracurricular activities	533,879	462,503	71,376	15.43
Capital outlay	5,000	-	5,000	-
Debt service	<u>7,628</u>	<u>18,452</u>	<u>(10,824)</u>	(58.66)
Total	<u>\$ 32,727,007</u>	<u>\$ 31,624,058</u>	<u>\$ 1,102,949</u>	

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

**General Fund Budgeting Highlights**

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

For the general fund, the final budget basis revenue and other financing sources estimate was \$30,883,432, which was higher than the original budget estimate of \$25,373,474. Most of this \$5,509,958 difference was due to conservative original budget estimates for property taxes and intergovernmental revenues. Actual revenue and other financing uses, however, were \$35,079,731 or \$4,196,299 more than anticipated.

The original expenditures and other financing uses estimate of \$33,715,297 was revised during the fiscal year to the final amount of \$33,806,225. Actual expenditures and other financing uses, however, were \$33,309,795 or \$496,430 less than anticipated. Overall, the final budget amounts are approximately 0.3% higher than originally established.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2009, the School District had \$15,230,772 invested in various capitalized assets, net of depreciation. The table below shows fiscal year 2009 balances compared to fiscal year 2008.

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

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 409,270	\$ 409,270
Construction in progress	474,750	-
Land improvements	33,764	3,846
Buildings and improvements	12,743,690	12,453,760
Furniture, fixtures and equipment	724,144	712,304
Vehicles	845,154	1,025,416
Total capital assets	<u>\$ 15,230,772</u>	<u>\$ 14,604,596</u>

As stated above at the end of fiscal year 2009, the School District had \$15,230,772 invested in capital assets (net of accumulated depreciation), an increase of \$626,176, or a 4.3 percent. During the fiscal year 2009 the School District replaced a roof as well as some various upgrades and renovations. For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

Debt

The School District's outstanding debt at June 30, 2009, consisted of bond anticipation notes, in the amount of \$9,500,000 and general obligation bonds, in the amount of \$9,560,861. The School District's long-term obligations also include compensated absences.

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

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
2009 School facilities construction and improvement bonds	\$ 9,134,991	\$ -
Premium	295,870	-
2000 Energy conservation bonds	130,000	260,000
2009 Bond anticipation notes	<u>9,500,000</u>	<u>-</u>
Total outstanding	<u>\$ 19,060,861</u>	<u>\$ 260,000</u>

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

**Current Issues**

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

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

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



**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

**Contacting the School District's Financial Management**

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

# Fremont City School District

## Statement of Net Assets

June 30, 2009

	Governmental Activities
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 13,729,697
Cash and cash equivalents:	
In segregated accounts	1,070,965
Investments in segregated accounts	17,686,451
Inventory held for resale	12,820
Materials and supplies inventory	3,686
Receivables:	
Accounts	378,008
Intergovernmental	294,720
Accrued interest	49,612
Property taxes	13,070,370
Income taxes	2,096,495
Notes	33,766
Deferred charges	122,545
Capital assets:	
Nondepreciable capital assets	884,020
Depreciable capital assets, net	14,346,752
Total capital assets	15,230,772
Total assets	63,779,907
<b>Liabilities:</b>	
Accounts payable	376,693
Accrued wages	2,098,928
Matured compensated absences payable	322,324
Intergovernmental payable	796,337
Accrued interest payable	318,995
Claims payable	367,554
Deferred revenue	10,200,836
Long-term liabilities:	
Due within one year	10,310,755
Due in more than one year	13,026,681
Total liabilities	37,819,103
<b>Net assets:</b>	
Invested in capital assets, net of related debt	15,100,772
Restricted for:	
Capital projects	1,509,350
Debt service	532,513
Other purposes	3,963,418
Unrestricted	4,854,751
Total net assets	\$ 25,960,804

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenues and Changes in Net Assets
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 16,434,245	\$ 671,489	\$ 635,918	\$ 1,035,000	\$ (14,091,838)
Special	6,263,634	46,218	1,550,817	-	(4,666,599)
Vocational	108,417	2,000	-	-	(106,417)
Other	373,383	-	-	-	(373,383)
Support services:					
Pupils	2,255,006	1,200	253,039	-	(2,000,767)
Instructional staff	1,836,260	39,574	749,454	-	(1,047,232)
Board of education	90,273	-	-	-	(90,273)
Administration	2,977,415	6,367	97,946	-	(2,873,102)
Fiscal	792,325	-	13,365	-	(778,960)
Business	149,015	-	-	-	(149,015)
Operation and maintenance of plant	3,316,769	9,155	35,355	-	(3,272,259)
Pupil transportation	1,405,567	-	34,260	29,287	(1,342,020)
Central	99,281	-	11,523	-	(87,758)
Operation of non-instructional services	2,053,170	538,482	1,602,418	-	87,730
Extracurricular activities	858,260	316,958	-	-	(541,302)
Interest and fiscal charges	333,654	-	-	-	(333,654)
<b>Total governmental activities</b>	<b>\$ 39,346,674</b>	<b>\$ 1,631,443</b>	<b>\$ 4,984,095</b>	<b>\$ 1,064,287</b>	<b>(31,666,849)</b>

**General Revenues:**

Property taxes levied for:		
General purposes		11,046,809
Debt service		560,729
Capital outlay		812,046
Income taxes levied for:		
General purposes		6,446,863
Grants and entitlements not restricted to specific programs		16,648,112
Payment in lieu of taxes		757,595
Investment earnings		349,018
Miscellaneous		170,481
<b>Total general revenues</b>		<b>36,791,653</b>
 Change in net assets		 5,124,804
 Net assets beginning of year		 20,836,000
<b>Net assets end of year</b>		<b>\$ 25,960,804</b>

See accompanying notes to the basic financial statements.

**Fremont City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2009*

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 4,952,021	\$ 629,757	\$ 6,220,247	\$ 11,802,025
Cash and cash equivalents:				
In segregated accounts	-	1,000,000	70,965	1,070,965
Investments in segregated accounts	-	17,686,451	-	17,686,451
Inventory held for resale	-	-	12,820	12,820
Materials and supplies inventory	-	-	3,686	3,686
Receivables:				
Accounts	336,854	-	1,245	338,099
Intergovernmental	-	-	294,720	294,720
Accrued interest	24,636	24,597	379	49,612
Interfund	10,574	-	-	10,574
Property taxes	12,131,406	-	938,964	13,070,370
Income taxes	2,096,495	-	-	2,096,495
Notes	-	-	33,766	33,766
Equity in pooled cash and cash equivalents (restricted)	68,003	-	-	68,003
Total assets	<u>\$ 19,619,989</u>	<u>\$ 19,340,805</u>	<u>\$ 7,576,792</u>	<u>\$ 46,537,586</u>
<b>Liabilities:</b>				
Accounts payable	\$ 232,200	\$ 63,524	\$ 64,509	\$ 360,233
Accrued wages	1,935,414	-	163,514	2,098,928
Matured compensated absences payable	288,208	-	34,116	322,324
Interfund payable	-	-	10,574	10,574
Intergovernmental payable	715,519	-	80,818	796,337
Deferred revenue	10,737,295	-	792,494	11,529,789
Accrued interest payable	3,196	-	-	3,196
Total liabilities	<u>13,911,832</u>	<u>63,524</u>	<u>1,146,025</u>	<u>15,121,381</u>
<b>Fund balances:</b>				
Reserved for encumbrances	208,676	362,841	271,708	843,225
Reserved for notes receivable	-	-	33,766	33,766
Reserved for property taxes	1,693,640	-	147,392	1,841,032
Reserved for textbooks/instructional material	68,003	-	-	68,003
Unreserved,				
Undesignated, reported in:				
General fund	3,737,838	-	-	3,737,838
Special revenue funds	-	-	4,312,910	4,312,910
Debt service fund	-	-	807,107	807,107
Capital projects funds	-	18,914,440	857,884	19,772,324
Total fund balances	<u>5,708,157</u>	<u>19,277,281</u>	<u>6,430,767</u>	<u>31,416,205</u>
Total liabilities and fund balances	<u>\$ 19,619,989</u>	<u>\$ 19,340,805</u>	<u>\$ 7,576,792</u>	<u>\$ 46,537,586</u>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities*  
 June 30, 2009

<b>Total governmental fund balances</b>	<b>\$</b>	<b>31,416,205</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,230,772
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 1,028,502	
Intergovernmental	922	
Charges for services	294,344	
Miscellaneous	5,185	
		1,328,953
Deferred charges are included in the governmental activities in the statement of net assets.		122,545
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(315,799)
Long-term liabilities, including general obligation bonds and compensated absences are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (9,350,870)	
Bond anticipation notes	(9,500,000)	
Capital appreciation bonds	(209,991)	
Compensated absences	(4,276,575)	
Total		(23,337,436)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		1,515,564
Net assets of governmental activities	<b>\$</b>	<b><u>25,960,804</u></b>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Revenues, Expenditures  
and Changes in Fund Balances*  
**Governmental Funds**  
For the Fiscal Year Ended June 30, 2009

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 10,948,524	\$ -	\$ 1,353,743	\$ 12,302,267
Income tax	6,446,863	-	-	6,446,863
Intergovernmental	16,392,016	1,035,000	5,221,140	22,648,156
Interest	253,698	67,558	34,119	355,375
Tuition and fees	464,416	-	4,620	469,036
Extracurricular activities	93,908	-	269,079	362,987
Gifts and donations	2,361	-	11,306	13,667
Charges for services	55,432	-	539,682	595,114
Rent	9,156	-	-	9,156
Payment in lieu of taxes	-	-	757,595	757,595
Miscellaneous	163,808	-	53,508	217,316
Total revenues	<u>34,830,182</u>	<u>1,102,558</u>	<u>8,244,792</u>	<u>44,177,532</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	15,953,337	-	572,237	16,525,574
Special	4,774,946	-	1,455,106	6,230,052
Vocational	106,977	-	2,248	109,225
Other	373,421	-	-	373,421
Support services:				
Pupils	1,902,250	-	322,449	2,224,699
Instructional staff	1,050,211	-	746,530	1,796,741
Board of education	90,273	-	-	90,273
Administration	2,714,381	-	142,959	2,857,340
Fiscal	678,372	-	71,520	749,892
Business	146,744	-	-	146,744
Operation and maintenance of plant	3,143,240	-	79,430	3,222,670
Pupil transportation	1,173,883	-	56,806	1,230,689
Central	59,092	-	23,847	82,939
Operation of non-instructional services	13,373	-	2,035,236	2,048,609
Extracurricular activities	533,879	-	243,650	777,529
Capital outlay	5,000	460,268	805,154	1,270,422
Debt service:				
Principal retirement	-	-	130,000	130,000
Interest and fiscal charges	7,628	-	11,505	19,133
Issuance cost	-	-	122,545	122,545
Total expenditures	<u>32,727,007</u>	<u>460,268</u>	<u>6,821,222</u>	<u>40,008,497</u>
Excess of revenues over expenditures	<u>2,103,175</u>	<u>642,290</u>	<u>1,423,570</u>	<u>4,169,035</u>
<b>Other financing sources (uses):</b>				
General obligation bonds issued	-	9,134,991	-	9,134,991
Bond anticipation notes issued	-	9,500,000	-	9,500,000
Premium on debt issuance	-	-	295,870	295,870
Transfers in	-	-	209,167	209,167
Transfers out	-	-	(209,167)	(209,167)
Total other financing sources (uses)	<u>-</u>	<u>18,634,991</u>	<u>295,870</u>	<u>18,930,861</u>
Net change in fund balances	2,103,175	19,277,281	1,719,440	23,099,896
Fund balances at beginning of year	3,604,982	-	4,711,327	8,316,309
Fund balances at end of year	<u>\$ 5,708,157</u>	<u>\$ 19,277,281</u>	<u>\$ 6,430,767</u>	<u>\$ 31,416,205</u>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009*

<b>Net change in fund balances - total governmental funds</b>	\$	23,099,896
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital asset additions	\$ 1,270,422	
Depreciation expense	<u>(637,144)</u>	
Excess of capital outlay over depreciation expense		633,278
<p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal</p>		
		(7,102)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:</p>		
Property taxes	\$ 117,311	
Intergovernmental	(22,830)	
Charges for services	195,154	
Miscellaneous	<u>4,311</u>	
Net change in deferred revenues during the year		293,946
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		130,000
<p>The issuance of long-term bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net assets as long-term assets and liabilities.</p>		
		(18,634,991)
<p>The amortization of issuance costs, bond premium and accretion is reflected as an expense in the statement of activities.</p>		
Issuance cost	\$ 122,545	
Premium	<u>(295,870)</u>	
Total additional expenses		(173,325)
<p>Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>		
Increase in compensated absences	\$ (287,378)	
Increase in accrued interest	<u>(314,521)</u>	
Total additional expenditures		(601,899)
<p>The internal service fund is used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
		<u>385,001</u>
Change in net assets of governmental activities	\$	<u><u>5,124,804</u></u>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -*  
*Budget and Actual - General Fund*  
*For the Fiscal Year Ended June 30, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property taxes	\$ 7,909,212	\$ 9,631,947	\$ 10,943,161	\$ 1,311,214
Income tax	4,833,677	5,886,519	6,687,861	801,342
Intergovernmental	11,834,100	14,411,731	16,392,016	1,980,285
Interest	158,175	192,628	218,851	26,223
Tuition and fees	324,344	394,990	448,751	53,761
Rent	6,184	7,531	8,556	1,025
Extracurricular activities	67,872	82,656	93,908	11,252
Gifts and donations	1,706	2,078	2,361	283
Customer services	40,064	48,790	55,432	6,642
Miscellaneous	118,092	144,514	167,102	22,588
Total revenues	<u>25,293,426</u>	<u>30,803,384</u>	<u>35,017,999</u>	<u>4,214,615</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	16,252,358	16,331,124	16,101,315	229,809
Special	4,726,029	4,704,020	4,789,790	(85,770)
Vocational	123,674	121,935	107,653	14,282
Other	124,757	290,543	287,461	3,082
Support services:				
Pupils	1,765,315	1,965,926	1,931,517	34,409
Instructional staff	1,141,683	1,080,344	1,074,739	5,605
Board of education	96,931	94,041	90,413	3,628
Administration	2,659,476	2,803,626	2,774,094	29,532
Fiscal	992,102	811,699	679,051	132,648
Business	165,701	151,209	147,106	4,103
Operation and maintenance of plant	3,552,041	3,308,579	3,262,940	45,639
Pupil transportation	1,292,085	1,226,060	1,206,218	19,842
Central	85,773	86,442	62,020	24,422
Operation of non-instructional services	23,549	43,442	14,113	29,329
Extracurricular activities	481,999	542,837	539,892	2,945
Total expenditures	<u>33,483,473</u>	<u>33,561,827</u>	<u>33,068,322</u>	<u>493,505</u>
Excess of revenues over (under) expenditures	<u>(8,190,047)</u>	<u>(2,758,443)</u>	<u>1,949,677</u>	<u>4,708,120</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	11,690	11,690	11,690	-
Refund of prior year expenditures	17,784	17,784	17,859	75
Refund of prior year receipts	-	(3,000)	(75)	2,925
Advances in	32,183	32,183	32,183	-
Advances out	(1,000)	(10,574)	(10,574)	-
Transfers in	18,391	18,391	-	(18,391)
Transfers out	(230,824)	(230,824)	(230,824)	-
Total other financing sources (uses)	<u>(151,776)</u>	<u>(164,350)</u>	<u>(179,741)</u>	<u>(15,391)</u>
Net change in fund balance	(8,341,823)	(2,922,793)	1,769,936	4,692,729
Fund balance at beginning of year	2,716,812	2,716,812	2,716,812	-
Prior year encumbrances appropriated	212,289	212,289	212,289	-
Fund balance at end of year	<u>\$ (5,412,722)</u>	<u>\$ 6,308</u>	<u>\$ 4,699,037</u>	<u>\$ 4,692,729</u>

See accompanying notes to the basic financial statements.



**Fremont City School District**  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*June 30, 2009*

	Self Insurance
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 1,859,669
Accounts receivable	39,909
Total assets	1,899,578
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 16,460
Claims payable	367,554
Total liabilities	384,014
 <b>Net assets:</b>	
Unrestricted	1,515,564
Total liabilities and net assets	\$ 1,899,578

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2009*

	Self Insurance
<b>Operating revenues:</b>	
Charges for services	\$ 4,471,695
Other revenues	44,572
Total operating revenues	4,516,267
<b>Operating expenses:</b>	
Purchased services	741,262
Claims	3,357,904
Material and supplies	32,100
Total operating expenses	4,131,266
Change in net assets	385,001
Net assets beginning of year	1,130,563
Net assets end of year	\$ 1,515,564

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2009

	Self Insurance
<b>Cash flows from operating activities:</b>	
Cash received from other operating sources	\$ 44,572
Cash received for charges for services	4,432,827
Cash payments to suppliers for goods and services	(756,902)
Cash payments for claims	(3,443,653)
Net cash provided by operating activities	276,844
Net increase in cash and cash equivalents	276,844
Cash and cash equivalents at beginning of year	1,582,825
Cash and cash equivalents at end of year	\$ 1,859,669
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 385,001
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(38,868)
Increase (decrease) in liabilities:	
Accounts payable	16,460
Claims payable	(85,749)
Net cash provided by operating activities	\$ 276,844

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2009*

	Private Purpose Trusts Endowment	Agency
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$ 20,593	\$ 69,631
Cash and cash equivalents in segregated accounts	141,999	-
Receivables:		
Accounts	-	200
Accrued interest	709	-
Total assets	163,301	\$ 69,831
 <b>Liabilities:</b>		
Accounts payable	\$ -	\$ 4,807
Due to students	-	65,024
Total liabilities	-	\$ 69,831
 <b>Net assets:</b>		
Held in trust for scholarships	106,147	
Endowments	57,154	
Total net assets	\$ 163,301	

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2009*

	Private Purpose Trust
	Endowment
<b>Additions:</b>	
Interest	\$ 3,136
Miscellaneous	3,050
Total additions	6,186
<b>Deductions:</b>	
Payments in accordance with trust agreements	3,249
Change in net assets	2,937
Net assets beginning of year	160,364
Net assets end of year	\$ 163,301

See accompanying notes to the basic financial statements.

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE SCHOOL DISTRICT**

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

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred sixty-two square miles. It is located in central Sandusky County, including all of the City of Fremont and portions of surrounding townships. It is staffed by 207 classified employees, 391 certified teaching personnel, including twenty-two administrative employees who provide services to 4,302 students and other community members. The School District currently operates seven elementary schools, a middle school, and a comprehensive high school.

Reporting Entity

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

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

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

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

**Fremont City School District**  
**Sandusky County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

The School District participates in five jointly governed organizations and an insurance pool. These organizations are the Northern Ohio Educational Computer Association, the Northwestern Ohio Educational Research Council, Inc., the Vanguard-Sentinel Career Center, the Northwest Ohio Special Education Regional Resource Center, the Northwest Ohio Regional Professional Development Center, and the Ohio School Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

The basic financial statements of Fremont City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

Government-Wide Financial Statements

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

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

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

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

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

Classroom Facilities Fund – This fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

Proprietary Fund

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



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

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

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**D. Basis of Accounting**

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**E. Budgetary Process**

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

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

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

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

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**F. Cash and Investments**

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

During fiscal year 2009, deposits were held in checking and savings accounts as well as nonnegotiable certificates of deposit, which are reported at cost. In addition, for 2009 the School District had an interest in STAROhio, the State Treasurer’s Investment Pool.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. The School District did not have any prepaid items as of June 30, 2009.

**H. Inventory**

Inventory is presented at the lower of cost or market on a first-in, first-out basis and is expended/expensed when used. Inventory consists of donated and purchased food.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Unclaimed monies that must be held for five years before being spent are also reported as restricted. See Note 15 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**J. Capital Assets**

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

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land improvements	5-7 years
Buildings and building improvements	5-75 years
Furniture, fixtures, and equipment	3-25 years
Vehicles	4-15 years

**K. Interfund Assets/Liabilities**

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

**L. Compensated Absences**

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

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

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

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

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

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

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

**N. Net Assets**

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

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

**O. Fund Balance Reserves**

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

**P. Operating Revenues and Expenses**

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

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**Q. Interfund Transactions**

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

**R. Estimates**

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

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

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Change in Fund Balance

GAAP basis	\$ 2,103,175
<u>Increase(decrease) due to:</u>	
Revenue accruals	249,549
Expenditure accruals	(289,504)
Encumbrances outstanding at fiscal year end (budget basis)	<u>(293,284)</u>
Budget basis	<u>\$ 1,769,936</u>

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;



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4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

All interest is legally required to be placed in the general fund, and other funds as approved by a Board resolution. Interest revenue credited to the general fund during fiscal year 2009 amount to \$253,698, which includes \$111,023 assigned from other School District funds.

**A. Cash on Hand**

At year-end, the School District did not have undeposited cash on hand.

**B. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$10,674,356. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$10,593,169 of the School District's bank balance of \$11,205,037 was exposed to custodial risk as they were uninsured and collateral was held by the financial institution's trust department and in the name of the School District. The remaining \$611,868 was covered by Federal Deposit Insurance Corporation.

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

**C. Investments**

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

	Fair Value	Maturity	Rating
Federal Farm Credit Bank	\$ 503,875	03/17/11	AAA <sup>(1)</sup>
Federal Home Loan Bank	510,900	06/11/10	AAA <sup>(1)</sup>
Federal Home Loan Bank	1,502,805	10/08/10	AAA <sup>(1)</sup>
Federal Home Loan Bank	1,248,648	12/10/10	AAA <sup>(1)</sup>
Federal Home Loan Bank	1,029,500	01/07/11	AAA <sup>(1)</sup>
Federal Home Loan Bank	1,101,474	04/08/11	AAA <sup>(1)</sup>
Federal Home Loan Bank	1,000,800	05/16/11	AAA <sup>(1)</sup>
Federal Home Loan Bank	696,654	06/03/11	AAA <sup>(1)</sup>
STAROhio	<u>14,450,324</u>	N/A	AAA <sup>(1)</sup>
Total	<u>\$ 22,044,980</u>		

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in Federal Farm Credit Bank (FFCB), and Federal Home Loan Bank (FHLB) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

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Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5 percent of the School District's investments are in FHLB. These investments are 32.17%, respectively, of the School District total investments. The School District's policy places no limit on the amount that may be invested in any one issuer.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

**D. Reconciliation of Deposits to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Deposits and cash on hand</u>	
Carrying amount of deposits	\$ 10,674,356
Federal Home Loan Bank	7,090,781
Federal Farm Credit Bank	503,875
StarOhio	<u>14,450,324</u>
Total	<u>\$ 32,719,336</u>

<u>Cash and cash equivalents</u>	
Governmental Activities:	
Equity in pooled cash and cash equivalents	\$ 13,729,697
Cash and cash equivalents in segregated accounts	1,070,965
Investments in segregated accounts	17,686,451
Fiduciary Funds:	
Private purpose trusts	162,592
Agency	<u>69,631</u>
Total	<u>\$ 32,719,336</u>

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2009, consisted of accounts (rent, billings for user charged services, and student fees), intergovernmental, income taxes, accrued interest, amounts due from external parties, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

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	<u>Amount</u>
<b>Governmental Activities</b>	
General Fund	
Property taxes receivable	\$ 12,131,406
Income tax receivable	2,096,495
Other Governmental Funds	
Property taxes receivable	938,964
Intergovernmental receivables:	
Food service	14,554
Ohio reads	4,192
Title I: migrant	135,814
Title VI-B	19,780
Limited english proficiency	8,052
Title I	48,398
Title II-A	41,716
Miscellaneous federal grants	22,214
Total Other Governmental Funds	<u>\$ 294,720</u>
Total Governmental Activities	<u>\$ 15,461,585</u>

**NOTE 5 - INCOME TAXES**

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. Of this amount, .75 percent of the tax was effective on January 1, 1999, and .5 percent of the tax was effective on January 1, 2004. Both will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**NOTE 6 - PAYMENT IN LIEU OF TAXES**

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

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**NOTE 7 - PROPERTY TAXES**

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

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

The School District receives property taxes from Sandusky County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

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Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009, was \$1,693,640 in the general fund, was \$26,436 in the debt service fund and \$120,956 in the permanent improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On the modified accrual basis, the revenue is deferred. The assessed values upon which the fiscal year 2009 taxes were collected are:

	2009 First Half Collections		2008 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 538,106,940	95.64%	\$ 535,610,890	92.57%
Public utility	24,528,860	4.36%	21,317,020	3.68%
Tangible personal	-	0.00%	21,689,585	3.75%
Total assessed value	<u>\$ 562,635,800</u>	<u>100.00%</u>	<u>\$ 578,617,495</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 35.55		\$ 34.10	

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>7/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2009</u>
<b>Governmental Activities</b>				
Nondepreciable capital assets				
Land	\$ 409,270	\$ -	\$ -	\$ 409,270
Construction in progress	-	474,750	-	474,750
Total nondepreciable capital assets	<u>409,270</u>	<u>474,750</u>	<u>-</u>	<u>884,020</u>
Depreciable capital assets				
Land and improvements	236,300	39,300	-	275,600
Buildings and building improvements	20,758,860	670,399	-	21,429,259
Furniture, fixtures, and equipment	1,532,940	85,973	(49,910)	1,569,003
Vehicles	2,895,927	-	(235,488)	2,660,439
Total depreciable capital assets	<u>25,424,027</u>	<u>795,672</u>	<u>(285,398)</u>	<u>25,934,301</u>
Less accumulated depreciation:				
Land and improvements	(232,454)	(9,382)	-	(241,836)
Buildings and building improvements	(8,305,100)	(380,469)	-	(8,685,569)
Furniture, fixtures, and equipment	(820,636)	(74,133)	49,910	(844,859)
Vehicles	(1,870,511)	(173,160)	228,386	(1,815,285)
Total accumulated depreciation	<u>(11,228,701)</u>	<u>(637,144)</u>	<u>278,296</u>	<u>(11,587,549)</u>
Depreciable capital assets, net				
Governmental activities	<u>14,195,326</u>	<u>158,528</u>	<u>(7,102)</u>	<u>14,346,752</u>
Capital assets, net	<u>\$ 14,604,596</u>	<u>\$ 633,278</u>	<u>\$ (7,102)</u>	<u>\$ 15,230,772</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 185,526
Special	24,503
Support services:	
Pupils	5,567
Instructional staff	4,382
Administration	9,994
Operation and maintenance of plant	142,057
Pupil transportation	171,258
Operation of non-instructional services	12,624
Extracurricular activities	81,233
Total depreciation expense	<u>\$ 637,144</u>

**Fremont City School District**  
**Sandusky County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 9 - RISK MANAGEMENT**

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

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

For fiscal year 2009, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

The School District offers medical, prescription drug, and dental insurance to all employees through a partially self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The School District purchased stop loss insurance for claims in excess of \$100,000 per individual annually and \$1,000,000 per individual, per lifetime. Settled claims have not exceeded this coverage for the past three years. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2009 were estimated by the third party administrator at \$367,554.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2008	\$ 493,426	\$ 3,412,016	\$ 3,452,139	\$ 453,303
2009	\$ 453,303	\$ 3,357,904	\$ 3,443,653	\$ 367,554



**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained 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 2009, 9.09 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, 2009, 2008 and 2007 were \$373,537, \$397,596 and \$513,024 respectively; 50.00 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System**

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

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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. For fiscal year 2008, 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, 2009, 2008, and 2007 were \$1,904,455, \$2,199,726, and \$2,322,305 respectively; 83.87 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 \$17,106 made by the School District and \$38,373 made by the plan members.

**C. Social Security System**

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

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available 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 2009, 4.16 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 2009, this amount was \$35,800.

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, 2009, 2008, and 2007 were \$239,704, \$247,950, and \$196,626 respectively; 44.18 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 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 \$30,820, \$28,648, and \$31,704 respectively; 50.00 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System**

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

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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 \$146,497, \$169,210, and \$178,639 respectively; 83.87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**C. Special Termination Benefits**

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

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**NOTE 13 - NOTES PAYABLE**

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

Principal and interest requirements to retire the notes payable outstanding at June 30, 2009, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 220,000	\$ 10,824	\$ 230,824

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	<u>Balance at 6/30/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2009</u>	<u>Amount Due within One Year</u>
<b>Governmental Activities</b>					
<u>General obligation bonds</u>					
2000 G.O. bonds, maturing 2009, 5.90%	\$ 260,000	\$ -	\$ (130,000)	\$ 130,000	\$ 130,000
2009 School facilities construction and improvement bonds					
Serial and term bonds	-	8,925,000	-	8,925,000	220,000
Capital appreciation bonds	-	209,991	-	209,991	-
Premium	-	295,870	-	295,870	-
Total general obligation bonds	<u>260,000</u>	<u>9,430,861</u>	<u>(130,000)</u>	<u>9,560,861</u>	<u>350,000</u>
<u>Bond anticipation note</u>					
2009 Bond anticipation note	<u>-</u>	<u>9,500,000</u>	<u>-</u>	<u>9,500,000</u>	<u>9,500,000</u>
<u>Other obligations</u>					
Compensated absences	<u>3,989,197</u>	<u>1,131,718</u>	<u>(844,340)</u>	<u>4,276,575</u>	<u>460,755</u>
Total Long-term obligations	<u>\$ 4,249,197</u>	<u>\$ 20,062,579</u>	<u>\$ (974,340)</u>	<u>\$ 23,337,436</u>	<u>\$ 10,310,755</u>

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

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

During the fiscal year, the School District issued \$9,500,000 in bond anticipation notes which are due on September 23, 2009 with an interest rate of 2.75%.

The School District also issued \$9,134,991 in general obligation bonds with a maturity date of July 15, 2037. The bonds are a combination of serial, term and capital appreciation bonds. The interest rates vary between 3% and 3.125% for serial bonds, 3.875%-4.75% for term bonds and 19.446% for capital appreciation bonds. The bonds will be used to finance construction and improvements of school buildings and facilities. The principal payments begin in fiscal year 2010.

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

The School District's overall debt margin was \$31,872,231 with an unvoted debt margin of \$562,636 at June 30, 2009.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2009, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 350,000	\$ 363,601	\$ 713,601
2011	225,000	366,644	591,644
2012	235,000	359,894	594,894
2013	240,000	352,844	592,844
2014	250,000	345,644	595,644
2015-2019	729,991	2,228,078	2,958,069
2020-2024	1,480,000	1,500,625	2,980,625
2025-2029	1,825,000	1,169,563	2,994,563
2030-2034	2,280,000	722,775	3,002,775
2035-2037	1,650,000	159,125	1,809,125
	<u>\$ 9,264,991</u>	<u>\$ 7,568,793</u>	<u>\$ 16,833,784</u>

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**NOTE 15 - SET ASIDES**

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and/or qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-aside. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District was required to restrict a portion of their general fund cash balance as of the end of 2009. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2008	\$ (45,507)	\$ -
Current year set-aside requirement	622,486	622,486
Qualifying expenditure	(508,976)	(1,068,392)
Current year offsets	<u>-</u>	<u>(1,070,642)</u>
Balance June 30, 2009	<u>\$ 68,003</u>	<u>\$ (1,516,548)</u>

**NOTE 16 - DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust funds consist of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$106,147, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$57,154 and is reflected as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northern Ohio Educational Computer Association**

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. During fiscal year 2009, the School District paid a nominal amount to NOECA for various services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**B. Northwestern Ohio Educational Research Council, Inc.**

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

**C. Vanguard-Sentinel Career Center**

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



**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**D. Northwest Ohio Special Education Regional Resource Center**

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

**E. Northwest Ohio Regional Professional Development Center**

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

The RPDC is governed by a fifteen member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Northwest Ohio Regional Professional Development Center, 414 Emerald Street, 2<sup>nd</sup> Floor, Toledo, Ohio 43602.

**NOTE 18 - INSURANCE POOL**

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

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**NOTE 19 – CONTRACTUAL COMMITMENTS**

As of June 30, 2009, the School District has contractual commitments for the following project:

	<u>Purchase Commitment</u>	<u>Amount paid as of 6/30/2009</u>	<u>Amount remaining on contract</u>
Middle school project	\$ 590,335	\$ 459,150	\$ 131,185

**NOTE 20 - SUBSEQUENT EVENTS**

The School District issued \$9,499,877 in general obligation bonds with a maturity date of July 15, 2037. The bonds are a combination of serial, term and capital appreciation bonds. The interest rates vary between 3% and 4.5% for the serial bonds, 5% for the term bonds and 18.8% for the capital appreciation bonds.

**NOTE 21 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

**B. Litigation**

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

**Fremont City School District  
Sandusky County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**NOTE 22 –INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2009, as permitted by subpart 2 of section A of the Elementary and Secondary Education Act (ESEA), consisted of the following:

Transfers from nonmajor governmental funds to:	
Nonmajor governmental funds	\$ 209,167

**NOTE 23 – NEW ACCOUNTING AND REPORTING STANDARDS**

On December 1, 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period.

On November 21, 2007, the GASB issued Statement No. 52, Land and Other Real Estate Held as Investments by Endowments. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period.

On April 4, 2009, the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period.

On April 16, 2009, the GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period.

Fremont City School District  
Schedule of Federal Awards Expenditures  
For the Year Ending June 30, 2009

Federal Grantor/Pass Through Grantor Number/Program Title	Pass Through Entity Number	CFDA Number	Federal Receipts	Federal Disbursements
<b><u>U.S. Department of Agriculture</u></b>				
Nutrition Cluster:				
Pass through Ohio Department of Development:				
National School Lunch Program	044016-LLP4-2009	10.555	\$737,284	\$737,284
Breakfast Program	044016-05PU-2009	10.553	160,782	160,782
Summer Food Service Program	044016-23PU-2009	10.559	26,346	17,971
Direct Program:				
Non-Cash Assistance:				
National School Lunch Program - Food Commodities - Note 2	N/A	10.555	95,533	95,533
<b>Total Nutrition Cluster</b>			1,019,945	1,011,570
Federal Reimburse - Supper Program	N/A	10.558	26,154	12,258
Fruit and Vegetable	N/A	10.582	11,081	19,831
<b>Total U.S. Department of Agriculture</b>			1,057,180	1,043,659
<b><u>U.S. Department of Education</u></b>				
Pass through Ohio Department of Education				
ESEA Title I, Part C, Migrant Education—State Grant Program				
Title I Migrant Worker- FY 08	N/A	84.011	157,391	180,547
Title I Migrant Worker- FY 09	N/A	84.011	49,202	41,348
<b>Total Title I - Migrant Education</b>			206,593	221,895
ESEA Title I, Part A, Title I Grants to Local Education Agencies				
Title I - N/D FY 08	N/A	84.010	1,645	5,320
Title I - N/D FY 09	N/A	84.010	35,173	34,529
Title I - Schoolwide FY 08	N/A	84.010	0	169,377
Title I - Schoolwide FY 09	N/A	84.010	686,635	669,912
<b>Total Title I - Grants to Local Education Agencies</b>			723,453	879,138
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children				
Title VI - B - FY 08	044016-6BSF-2008	84.027	0	171,552
Title VI - B - FY 09	044016-6BSF-2009	84.027	887,551	858,951
<b>Total Title VI - B</b>			887,551	1,030,503
Drug - Free School Grant				
Drug - Free School Grant - FY08	044016-DRS1-2008	84.186	4,551	7,819
Drug - Free School Grant - FY09	044016-DRS1-2009	84.186	9,643	4,902
<b>Total Drug - Free School Grant</b>			14,194	12,721
Even Start				
Even Start - FY08	044016-EVS1-2008	84.213	8,083	9,869
Even Start - FY09	044016-EVS1-2009	84.213	130,644	117,288
<b>Total Even Start</b>			138,727	127,157
Innovative Education Program Strategies				
Innovative Education Program Strategies - FY07	044016-C2S1-2007	84.298	0	4,502
Innovative Education Program Strategies - FY08	044016-C2S1-2008	84.298	3,726	53,677
<b>Total Innovative Education Program Strategies</b>			3,726	58,179
Title II-D Technology				
Title II-D Technology - FY08	044016-TJS1-2008	84.318	0	1,585
Title II-D Technology - FY09	044016-TJS1-2009	84.318	7,349	7,415
<b>Total Title II-D Technology</b>			7,349	9,000
Title III				
Title III LEP - FY08	044016-T3S2-2008	84.365	5,883	9,593
Title III LEP - FY09	044016-T3S2-2009	84.365	57,459	58,207
<b>Total Title III</b>			63,342	67,800
Title II-A				
Improv. Teacher Quality - FY08	044016-TRS1-2008	84.367	27,986	76,091
Improv. Teacher Quality - FY09	044016-TRS1-2009	84.367	255,625	261,432
Regional LPDC - FY09	N/A	84.367	3,000	1,800
<b>Total Title II-A</b>			286,611	339,323
21st Century				
21st Century -FY07	044016-T1S1-2007	84.287	150,000	150,000
21st Century -FY08	044016-T1S1-2008	84.287	300,000	318,174
<b>Total 21st Century</b>			450,000	468,174
<b>Total U.S. Department of Education</b>			2,781,546	3,213,890
<b>Total Federal Expenditures</b>			<u>\$3,838,726</u>	<u>\$4,257,549</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

**FREMONT CITY SCHOOL DISTRICT**  
**Sandusky County, Ohio**  
**Notes to the Federal Awards Expenditure Schedule**  
**For the Year Ended June 30, 2009**

**1. Significant Accounting Policies**

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

**2. Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2009, the District had immaterial food commodities in inventory.

**3. N/A – Information not available.**

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Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County (District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

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

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

#### Compliance and Other Matters

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

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

***Charles E. Harris & Associates, Inc.***

January 25, 2010

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Fremont City School District, Sandusky County (District), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.



## Internal Control Over Compliance

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

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

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

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

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

***Charles E. Harris & Associates, Inc.***

January 25, 2010

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

**Fremont City School District  
Sandusky County  
June 30, 2009**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Title I - CFDA 84.010 21st Century Grant - CFDA 84.287
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

**Fremont City School District**  
**Sandusky County**  
**June 30, 2009**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2009**

**The prior audit report, for the year ending June 30, 2008, reported no material citations or recommendations.**

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Revised 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 Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of the any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which we agreed to by the Board, solely to assist the Board in evaluating whether the Fremont City School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. The 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 purpose.

1. We noted that the Board adopted an anti-harassment policy at its meeting on August 17, 2006.
2. We read the policy, noting it included the following requirements for Ohio Revised Code Section 3313.666 (B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any students 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 Revised 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 to 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;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any report incidents;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure from 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 report 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.

***Charles E. Harris & Associates, Inc.***

January 25, 2010



**Mary Taylor, CPA**  
Auditor of State

**FREMONT CITY SCHOOL DISTRICT**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 8, 2010**