



Dave Yost • Auditor of State

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Fostoria City School District
Seneca County
500 Parkway Drive
Fostoria, Ohio 44830-1513

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 Fostoria City School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2011, 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 opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fostoria City School District, Seneca County, Ohio, as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with basis of accounting Note 2 describes.

As described in Note 13 to the basic financial statements, the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's basic financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. The schedule of federal awards receipts and expenditures (the schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the schedule provide additional information, but are not part of the basic financial statements. However these tables and the schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

March 16, 2012

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of the Fostoria City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities decreased \$2,825,671 which represents a 26 percent decrease from 2010.
- General receipts accounted for \$19,829,229 in receipts or 78 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, contributions and interest accounted for \$5,547,564 or 22 percent of total receipts of \$25,376,793.
- The District had \$28,202,464 in disbursements related to governmental activities; \$5,547,564 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were not adequate to provide for these programs.
- The District's major funds are the general fund, bond retirement fund, and the permanent improvement fund. The general fund had \$19,387,015 in receipts and other financing sources and \$21,613,997 in disbursements and other financing uses. The general fund's fund balance decreased \$2,226,982 from a restated balance of \$6,268,048 to \$4,041,066.
- Another major governmental fund is the bond retirement fund. The bond retirement fund had \$629,927 in receipts and \$859,823 in disbursements. The bond retirement fund's fund balance decreased \$229,896 from \$1,285,833 to \$1,055,937.
- Another major governmental fund is the permanent improvement fund. The permanent improvement fund had \$228,559 in receipts and \$325,691 in disbursements. The permanent improvement fund's fund balance decreased \$97,132 from \$2,065,527 to \$1,968,395.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board GASB Statement No. 34 as applicable to the District's cash basis of accounting.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole District, presenting an aggregate view of the District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund, bond retirement and permanent improvement fund are the most significant funds.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

A question typically asked about the District's finances "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question within the limitation of the cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental type activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts of each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

In the Statement of Net Assets and the Statement of Activities, all of the District's activities are classified as governmental. Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food services, extracurricular activities and debt service.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund, and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using a cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Fiduciary Funds

The District's fiduciary funds are for student managed activities and scholarships. The District's fiduciary activities are reported in the Statement of Fiduciary Assets and Changes in Fiduciary Net Assets. We exclude those activities from the District's other financial statements because the assets cannot be used by the District to finance operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for fiscal years 2011 compared to 2010:

Table 1
Net Assets
Governmental Activities

	2011	2010
Assets		
Equity in Pooled Cash and Investments	\$ 7,445,025	\$ 10,388,550
Cash with Escrow Agent	587,859	470,005
Total Assets	8,032,884	10,858,555
Net Assets		
Restricted for:		
State funded programs	449,075	376,824
Federally funded programs	370,290	756,784
Capital Projects	2,001,903	2,099,035
Debt Services	1,055,937	1,285,833
Other Purposes	105,858	93,973
Bus purchases	14,198	14,198
Unrestricted	4,035,623	6,231,908
Total Net Assets	\$ 8,032,884	\$ 10,858,555

Net assets decreased by \$2,825,671, which represents approximately a 26 percent decrease over the fiscal year 2010 balance. This decrease is primarily due to disbursements outpacing receipts.

The balance of government-wide unrestricted net assets of \$4,035,623 may be used to meet the District's ongoing obligations to citizens and creditors.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Table 2 shows the changes in net assets for fiscal years 2011 compared to 2010.

Table 2		
Change in Net Assets		
Governmental Activities		
	2011	2010
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 621,879	\$ 873,285
Operating Grants, Contributions and Interest	4,894,841	4,983,739
Capital Grants, Contributions and Interest	30,844	
Total Program Receipts	5,547,564	5,857,024
General Receipts		
Property Taxes	6,884,753	7,613,276
Grants and Entitlements, Not Restricted	12,739,450	12,346,889
Proceeds from the Sale of Assets	23,974	1,525
Investment Earnings	32,166	155,717
Other	148,886	85,692
Total General Receipts	19,829,229	20,203,099
Total Receipts	25,376,793	26,060,123

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Table 2
Change in Net Assets
Governmental Activities
(Continued)

Program Disbursements		
Instruction:		
Regular	11,583,716	11,931,918
Special	2,038,774	2,019,579
Vocational	219,743	246,611
Adult/Continuing Education	489,687	179,972
Student Intervention Services	301,574	548,901
Support Services:		
Pupils	1,392,350	1,376,915
Instructional Staff	2,547,523	2,701,447
Board of Education	29,316	27,505
Administration	2,239,694	2,019,244
Fiscal	826,277	1,035,734
Operation and Maintenance of Plant	2,437,809	2,284,591
Pupil Transportation	878,185	1,195,842
Central	121,390	63,100
Operation of Non-instructional Services	308,799	360,005
Food Service Operations	1,072,662	1,207,460
Extracurricular Activities	463,179	436,447
Capital Outlay	323,184	282,726
Debt Service:		
Principal	200,820	785,000
Interest	727,782	131,602
Total Program Disbursements	<u>28,202,464</u>	<u>28,834,599</u>
Decrease in Net Assets	<u>\$ (2,825,671)</u>	<u>\$ (2,774,476)</u>
Ending Net Assets	<u>\$ 8,032,884</u>	<u>\$ 10,858,555</u>

The vast majority of receipts supporting governmental activities are the general receipts, which decreased by \$373,870 or 2 percent compared to fiscal year 2010. The unrestricted grants and entitlements receipts consists of State foundation, homestead and rollback, and personal property and tax exemption and account for 50 percent of total receipts. Property taxes represent 27 percent of total receipts and interest and other receipts account for less than 1 percent of total receipts. The remaining receipts were in the form of program receipts, which totaled \$5,547,564 or 22 percent of total receipts.

Total disbursements decreased \$632,135 or 2 percent over fiscal year 2010. This decrease can be attributed to decreased instruction, pupil transportation and food service operation disbursements.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Governmental Activities

The District has carefully planned its financial existence by forecasting its receipts and disbursements over the next five years. The District's receipts growth is mostly dependent upon property tax increases and new construction. Property taxes made up 27 percent of receipts for governmental activities for the District in fiscal year 2011. Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Instruction comprises 52 percent of governmental program disbursements. Additional supporting services for pupils, staff and business operations encompassed an additional 37 percent. The remaining 11 percent of program disbursements are used for other obligations of the District such as non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. Comparisons of fiscal years 2011 to 2010 have been made in Table 3.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Service 2011	Net Cost of Service 2010
Instruction				
Regular	\$ 11,583,716	\$ 11,931,918	\$ 10,579,037	\$ 10,456,145
Special	2,038,774	2,019,579	860,913	560,695
Vocational	219,743	246,611	219,743	246,611
Adult/continuing Education	489,687	179,972	42,440	160,988
Other	301,574	548,901	3,441	351,718
Support Services:				
Pupil	1,392,350	1,376,915	1,300,087	1,282,182
Instructional Staff	2,547,523	2,701,447	2,272,121	2,166,662
Board of Education	29,316	27,505	29,316	27,505
Administration	2,239,694	2,019,244	1,666,872	2,019,244
Fiscal	826,277	1,035,734	643,637	399,785
Operation and Maintenance of Plant	2,437,809	2,284,591	2,437,809	2,284,591
Pupil Transportation	878,185	1,195,842	872,186	1,195,842
Central	121,390	63,100	112,390	63,100
Operation of Non-Instructional Services	308,799	360,005	308,799	231,508
Food Service Operations	1,072,662	1,207,460	(25,945)	153,281
Extracurricular Activities	463,179	436,447	118,543	178,390
Capital Outlay	323,184	282,726	292,340	282,726
Debt Service:				
Principal	200,820	785,000	193,389	785,000
Interest	727,782	131,602	727,782	131,602
Total	\$ 28,202,464	\$ 28,834,599	\$ 22,654,900	\$ 22,977,575

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Program receipts include charges for services, grants and contributions that are program specific. Surrounding schools with resident students attending Fostoria City School District pay the District per pupil under Ohio's open enrollment plan. The community, as a whole, is by far the primary support for Fostoria City School District students.

The District's Funds

These funds are accounted for using the cash basis of accounting. All governmental funds had total receipts and other financing sources of \$25,617,607 and disbursements and other financing uses of \$28,443,278.

In fiscal year 2011, the net change in fund balance in the general fund was (\$2,226,982). This was due in part to a decrease in tax receipts over the previous fiscal year.

The fund balance in the bond retirement fund was \$1,055,937 as of fiscal year end with a \$229,896 decrease in fund balance. This decrease was due to a decrease in intergovernmental receipts during fiscal year 2011.

The fund balance in the permanent improvement fund decreased by \$97,132, primarily due to a decrease in intergovernmental receipts.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the District amended its general fund budget several times. For the general fund, the final budget basis receipts (excluding other financing sources) were \$20,947,750 representing a \$163,000 increase from the original budget estimate of \$20,784,750. Actual receipts (excluding other financing sources) were \$19,293,290, which were \$1,654,460 less than final budgeted amounts. This variance was mainly due to an error in budgeting tax receipts.

The original and final general fund appropriations (excluding other financing uses) totaled \$25,485,471 and \$26,274,727, respectively. Most of this \$789,256 was due to increases in the instructional staff and fiscal budgets. Actual disbursements (excluding other financing uses) were \$21,857,751, which were \$4,416,976 less than final budgeted amounts. This variance was mainly due to staff reductions.

Capital Assets

The District does not record capital assets in the accompanying cash basis financial statements. The District records payments for capital assets as disbursements.

Debt

At June 30, 2011, the District had \$5,218,709 in debt outstanding with \$745,000 due within one year. The District's total debt decreased by \$818,000 during the current fiscal year. The key factor in this decrease was the payment of debt. More detailed information is presented in Note 7.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Current Financial Related Activities

One challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. On May 16, 2003, the Ohio Supreme Court emphatically clarified that jurisdiction of the DeRolph case had ended. The District does not anticipate growth in state receipts, as in the ten years prior to the DeRolph decision; no state revenue growth was realized. From a legislative standpoint many decisions have been made that have a deteriorating effect on school revenues: the decision in past years to raise the charge off millage on the school foundation program to 23 mills from 20 mills; the decision to phase out the personal property tax; the decision to grant authority to the State Department of Taxation charging a fee to distribute rollback; homestead and personal property tax. Now with HB 66 the decision to totally eliminate all Tangible Personal Property Taxes is a significant change in state policy. This represents approximately 30% of our local revenue, the State is reimbursing schools until 2011 but this will be a challenge for our community to come up with a way to replace this revenue source.

The public schools in Ohio also face the challenges of meeting many unfunded mandates by both the state and federal government. Examples would be Educational Management Information System (state) and No Child Left Behind (federal) compliance.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Jaime Pearson, Treasurer, Fostoria City School District, Administration Building, 500 Parkway Drive, Fostoria, Ohio 44830-1513.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 7,445,025
Cash with escrow agent	587,859
	<hr/>
Total Assets	\$ 8,032,884
	<hr/> <hr/>
Net Assets	
Restricted for:	
State funded programs	\$ 449,075
Federally funded programs	370,290
Capital projects	2,001,903
Debt services	1,055,937
Other purposes	105,858
Bus Purchases	14,198
Unrestricted	4,035,623
	<hr/>
Total Net Assets	\$ 8,032,884
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities					
Instruction					
Regular	\$ 11,583,716	\$ 255,672	\$ 749,007		\$ (10,579,037)
Special	2,038,774		1,177,861		(860,913)
Vocational	219,743				(219,743)
Adult/Continuing education	489,687		447,247		(42,440)
Student Intervention Services	301,574	15,944	282,189		(3,441)
Support Services					
Pupil	1,392,350		92,263		(1,300,087)
Instructional Staff	2,547,523		275,402		(2,272,121)
Board of Education	29,316				(29,316)
Administration	2,239,694	18,523	554,299		(1,666,872)
Fiscal	826,277		182,640		(643,637)
Operation and Maintenance of Plant	2,437,809				(2,437,809)
Pupil Transportation	878,185		5,999		(872,186)
Central	121,390		9,000		(112,390)
Operation of Non-Instructional Services	308,799				(308,799)
Food Service Operations	1,072,662	210,615	887,992		25,945
Extracurricular Activities	463,179	121,125	223,511		(118,543)
Capital Outlay	323,184			\$ 30,844	(292,340)
Debt Service:					
Principal	200,820		7,431		(193,389)
Interest	727,782				(727,782)
Total Governmental Activities	<u>\$ 28,202,464</u>	<u>\$ 621,879</u>	<u>\$ 4,894,841</u>	<u>\$ 30,844</u>	<u>(22,654,900)</u>

General Receipts

Property Taxes Levied for:

General Purposes	6,147,892
Debt Service	539,146
Capital Projects	197,715
Grants and Entitlements not Restricted to Specific Programs	12,739,450
Payments in Lieu of Taxes	40,000
Proceeds from Sale of Assets	23,974
Investment Earnings	32,166
Insurance Recoveries	31,184
Miscellaneous	77,702
Total General Receipts	<u>19,829,229</u>

Change in Net Assets (2,825,671)

Net Assets Beginning of Year 10,858,555

Net Assets End of Year \$ 8,032,884

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Investments	\$ 4,026,868	\$ 468,078	\$ 1,968,395	\$ 967,486	\$ 7,430,827
Cash with Escrow Agent		587,859			587,859
Restricted Cash and Cash Equivalents	14,198				14,198
Total Assets	<u>\$ 4,041,066</u>	<u>\$ 1,055,937</u>	<u>\$ 1,968,395</u>	<u>\$ 967,486</u>	<u>\$ 8,032,884</u>
Fund Balances					
Restricted	\$ 14,198	\$ 1,055,937	\$ 1,968,395	\$ 967,486	\$ 4,006,016
Assigned	1,126,107				1,126,107
Unassigned	2,900,761				2,900,761
Total Fund Balances	<u>\$ 4,041,066</u>	<u>\$ 1,055,937</u>	<u>\$ 1,968,395</u>	<u>\$ 967,486</u>	<u>\$ 8,032,884</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Taxes	\$ 6,147,892	\$ 539,146	\$ 197,715		\$ 6,884,753
Intergovernmental	12,728,177	83,350	25,660	\$ 4,796,535	17,633,722
Earnings on Investments	32,166	7,431	5,184	132	44,913
Tuition	240,226				240,226
Extracurricular	18,523			119,908	138,431
Contributions and Donations	4,473			2,783	7,256
Customer Sales and Services	31,390			210,615	242,005
Payments in Lieu of Taxes	40,000				40,000
Miscellaneous	86,347			1,319	87,666
Total Receipts	<u>19,329,194</u>	<u>629,927</u>	<u>228,559</u>	<u>5,131,292</u>	<u>25,318,972</u>
Disbursements					
Current:					
Instruction:					
Regular	10,744,689		4,586	834,441	11,583,716
Special	1,682,893			355,881	2,038,774
Vocational	219,743				219,743
Adult/Continuing education	18,854			470,833	489,687
Student Intervention Services	17,488			284,086	301,574
Support Services:					
Pupils	1,296,159			96,191	1,392,350
Instructional Staff	1,470,926			1,076,597	2,547,523
Board of Education	29,316				29,316
Administration	1,505,825			733,869	2,239,694
Fiscal	556,866	5,703	2,071	261,637	826,277
Operation and Maintenance of Plant	2,430,441		2,900	4,468	2,437,809
Pupil Transportation	842,762			35,423	878,185
Central	68,662			52,728	121,390
Operation of Non-Instructional Services	63,083			245,716	308,799
Food Service Operations				1,072,662	1,072,662
Extracurricular Activities	343,944			119,235	463,179
Capital Outlay	7,050		316,134		323,184
Debt Service:					
Principal	73,000	127,820			200,820
Interest	1,482	726,300			727,782
Total Disbursements	<u>21,373,183</u>	<u>859,823</u>	<u>325,691</u>	<u>5,643,767</u>	<u>28,202,464</u>
Excess of Disbursements Over Receipts	<u>(2,043,989)</u>	<u>(229,896)</u>	<u>(97,132)</u>	<u>(512,475)</u>	<u>(2,883,492)</u>
Other Financing Sources (Uses)					
Refund of Prior Year Expenditures	2,663				2,663
Insurance Recoveries	31,184				31,184
Advances In				240,814	240,814
Advances Out	(240,814)				(240,814)
Proceeds from Sale of Capital Assets	23,974				23,974
Total Other Financing Sources (Uses)	<u>(182,993)</u>			<u>240,814</u>	<u>57,821</u>
Net Change in Fund Balances	(2,226,982)	(229,896)	(97,132)	(271,661)	(2,825,671)
Fund Balance at Beginning of Year - Restated (Note 13)	6,268,048	1,285,833	2,065,527	1,239,147	10,858,555
Fund Balance at End of Year	<u>\$ 4,041,066</u>	<u>\$ 1,055,937</u>	<u>\$ 1,968,395</u>	<u>\$ 967,486</u>	<u>\$ 8,032,884</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Taxes	\$ 7,617,000	\$ 7,617,000	\$ 6,147,892	\$ (1,469,108)
Intergovernmental	12,214,500	12,337,500	12,728,177	390,677
Earnings on Investments	200,000	200,000	32,166	(167,834)
Tuition	561,200	601,200	240,226	(360,974)
Rent	1,500	1,500		(1,500)
Customer Sales and Services	10,000	10,000	31,390	21,390
Payments in Lieu of Taxes	50,000	50,000	40,000	(10,000)
Miscellaneous	130,550	130,550	73,439	(57,111)
Total Receipts	20,784,750	20,947,750	19,293,290	(1,654,460)
Disbursements				
Instruction:				
Regular	11,867,146	11,844,463	10,827,372	1,017,091
Special	2,422,359	2,422,359	1,687,119	735,240
Vocational	230,483	253,517	224,570	28,947
Adult/Continuing education	17,349	220,939	18,857	202,082
Student Intervention Services	216,279	216,279	17,488	198,791
Support Services:				
Pupils	1,442,356	1,467,160	1,297,665	169,495
Instructional Staff	1,640,728	2,045,815	1,673,565	372,250
Board of Education	83,214	83,214	29,461	53,753
Administration	2,081,962	2,071,517	1,487,387	584,130
Fiscal	865,471	948,233	576,738	371,495
Operation and Maintenance of Plant	2,625,795	2,645,795	2,594,586	51,209
Pupil Transportation	1,347,524	1,348,524	860,617	487,907
Central	67,192	69,192	68,662	530
Operation of Non-Instructional Services				
Community Services	8,452	8,452	6,758	1,694
Food Service Operations	57,745	92,845	63,027	29,818
Extracurricular Activities	344,667	362,674	342,347	20,327
Capital Outlay	90,896	90,896	7,050	83,846
Debt Service:				
Principal	69,090	76,090	73,055	3,035
Interest	6,763	6,763	1,427	5,336
Total Disbursements	25,485,471	26,274,727	21,857,751	4,416,976
Excess of Disbursements Over Receipts	(4,700,721)	(5,326,977)	(2,564,461)	2,762,516
Other Financing Sources (Uses)				
Transfers In	1,004,500	1,054,500		(1,054,500)
Transfers Out	(652,301)	(652,301)		652,301
Insurance Recoveries	500	500	31,184	30,684
Refund of Prior Year Expenditures	40,000	40,000	2,663	(37,337)
Refund of Prior Year Receipts	(162,472)	(162,472)		162,472
Advances In	77,500	77,500		(77,500)
Advances Out	(98,000)	(298,000)	(240,814)	57,186
Proceeds from Sale of Capital Assets	1,600	1,600	23,974	22,374
Total Other Financing Sources (Uses)	211,327	61,327	(182,993)	(244,320)
Net Change in Fund Balances	(4,489,394)	(5,265,650)	(2,747,454)	2,518,196
Fund Balance at Beginning of Year	5,945,267	5,945,267	5,945,267	
Prior Year Encumbrances Appropriated	300,839	300,839	300,839	
Fund Balance at End of Year	\$ 1,756,712	\$ 980,456	\$ 3,498,652	\$ 2,518,196

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 87,280	\$ 35,749
Cash and Cash Equivalents in Segregated Accounts		1,469
	87,280	37,218
Total Assets	87,280	37,218
Liabilities		
Due to Students		\$ 37,218
		37,218
Net Assets		
Held in trust for scholarships	87,280	
Held for student activities		
	87,280	
Total Net Assets	\$ 87,280	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	\$ 1,038
Interest	<u>76</u>
Total Additions	<u>1,114</u>
Deductions	
Scholarships awarded	<u>8,400</u>
Total Deductions	<u>8,400</u>
Change in Net Assets	(7,286)
Net Cash Assets at Beginning of Year	<u>94,566</u>
Net Cash Assets at End of Year	<u><u>\$ 87,280</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - REPORTING ENTITY

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

The District was established in 1856 through the consolidation of existing land areas and school districts. The District serves an area of approximately 32 square miles. It is located in Seneca County, but also encompasses portions of Hancock and Wood Counties and includes all of the City of Fostoria. The District is the 276th largest in the State of Ohio (among 922 public and community Districts) in terms of enrollment. It is staffed by 111 non-certified employees and 155 certified full-time teaching personnel who provide services to 1,857 students and other community members. The District currently operates six instructional buildings, one administrative building, and three garages.

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

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units.

C. Other Organizations

The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 - REPORTING ENTITY - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Vanguard-Sentinel Career Centers

Vanguard-Sentinel Career Centers is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Center is operated under the direction of a Board consisting of one representative from each of the participating Districts' elected boards, and two representatives from the Fremont City District. The degree of control exercised by any participating District is limited to its representation on the Board. The Center is its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Career Centers at 1306 Cedar Street, Fremont, Ohio 43420.

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the NOECA, which is a computer consortium. NOECA is an association of several public Districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The NOECA Board of Directors consists of two representatives from each county in which participating Districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. The District paid \$100,558 to NOECA during the fiscal year. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of several Districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating District. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. The District paid \$148,514 to BACG during the fiscal year. Financial information is available from the North Point Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

State Support Team Region 1

The State Support Team Region 1 ("SST1") is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SST1 is governed by a board made up of members of the participating entities. The degree of control exercised by any participating District is limited to its representation on the Board. The District made no payments to SST1 for services provided. Financial information can be obtained by contacting Sue Zake, Director, at 2275 Collingwood Boulevard, Suite C, Toledo, Ohio 43620.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 - REPORTING ENTITY - (Continued)

PUBLIC ENTITY RISK POOL

Ohio School Plan

The District participates in the Ohio School Plan (the "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-Schuett 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-Schuett 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-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.A, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the District's accounting policies.

A. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Fund Accounting

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets or fund equity, receipts and disbursements. Funds of the District are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

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

Bond Retirement Fund – The bond retirement fund is used to account for financial resources to be used for the payment of the District's debt.

Permanent Improvement Fund – The permanent improvement fund is used to account for financial resources to be used for the acquisition, construction and remodeling or repairing of major capital facilities.

Other governmental funds of the District are used to account for grants and other resources to which the District is bound to observe constraints imposed upon the use of the resources.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The District's fiduciary funds include private purpose trust funds and agency funds. The District's private purpose trust fund accounts for scholarships and an endowment. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include various student-managed activities.

C. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The Government-Wide Statement of Activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

- a. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.
- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.
- e. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on 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. Any budgetary modifications at this level may only be made by the Board of Education. Although the legal level of budgetary control was established at the fund level the District has elected to present budgetary statement comparisons at the fund and function level of expenditures for the General Fund.

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

The appropriations resolution is subject to amendment throughout the year with the restrictions 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.

E. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2011, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, First American Treasury and government obligations and a U.S. government money market. Investments are reported at cost.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District has invested funds in the STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the fund from which the investment was made. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$32,166, which includes \$14,227 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investments at year end is provided in Note 4.

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include the unspent receipts from the State for bus purchases.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

L. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds is eliminated in the Statement of Activities.

NOTE 3 - COMPLIANCE

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

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 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.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At fiscal year end, the District had \$75 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

B. Cash with Escrow Agent

At fiscal year end the District had \$587,859, in cash with escrow agent to accumulate the required sinking fund deposits for the retirement of the Qualified Zone Academy Bonds (See Note 7.D for detail). This amount is included on the financial statements as "cash with escrow agent" and is included in investments below.

C. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$500,883. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$106 of the District's bank balance of \$462,921 was exposed to custodial risk as discussed below, while \$462,815 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2011, the District had the following investments and maturities:

	<u>Cost</u>	<u>Percent of Investment Total</u>	<u>Maturities</u>	
			<u>0-1 Year</u>	<u>1-5 Year</u>
Federal Home Loan Mortgage Corporation	\$2,924,225	38.19%	\$ 819,656	\$2,104,569
Federal Home Loan Bank	2,711,391	35.42%	224,391	2,487,000
Federal National Mortgage Association	1,709,431	22.33%	1,709,431	
STAR Ohio	241,926	3.16%	241,926	
U.S. Treasury Bill	49,921	0.65%	49,921	
First American Treasury Obligation	12,261	0.16%	12,261	
First American Government Obligation	7,269	0.09%	7,269	
	<u>\$7,656,424</u>	<u>100.00%</u>	<u>\$3,064,855</u>	<u>\$4,591,569</u>

Interest Rate Risk: Interest rate risk arises potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 federal agency securities and U.S. Treasury Bills are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount the district may invest in any one issuer; however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. More than 5 percent of the District's investments are in Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and Federal National Mortgage Association. These investments are 38.19 percent, 35.42 percent and 22.33 percent, respectively, of the District's total investments for the amounts listed above.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund advances for the fiscal year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

	Advances In	Advances Out
General Fund		\$ 240,814
Other Grant Funds	\$ 1,002	
Athletics Fund	17,217	
Able Instructional Fund	8,850	
Title VI-B Fund	4,900	
Title II-D Fund	64,418	
Title I Fund	119,156	
21 st Century Grant Fund	21,858	
Title II-A Fund	3,413	
	\$ 240,814	\$ 240,814

Advances were made to use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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 2011 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 6 - PROPERTY TAXES – (Continued)

The District receives property taxes from Seneca, Hancock and Wood Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$133,172,910	70.98%	\$130,125,360	70.88%
Commercial/Industrial	46,787,500	24.93%	53,469,610	29.12%
Public Utility				
Tangible Personal Property	7,679,160	4.09%		
Total	\$187,639,570	100.00%	\$183,594,970	100.00%
Tax rate per \$1,000 of assessed valuation	\$61.76		\$63.30	

NOTE 7 – LONG-TERM OBLIGATIONS

- A.** During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
General Obligation Bonds					
Middle School					
Refinancing					
Current Interest					
Bonds	\$2,190,000			\$2,190,000	
Capital Appreciation					
Bonds	413,505		\$127,820	285,685	\$110,148
Accretion	1,813,258	\$308,946	617,180	1,505,024	634,852
QZAB					
0.50%	1,238,000			1,238,000	
Total General Obligation Bonds	5,654,763	308,946	745,000	5,218,709	745,000
Capital Leases	73,000		73,000		
Total General Debt Obligations	\$5,727,763	\$308,946	\$818,000	\$5,218,709	\$745,000

- B.** Middle School Refinancing Bonds - On January 1, 1999, the District issued middle school refinancing general obligation bonds. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as disbursements in the bond retirement fund (a nonmajor governmental fund).

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 7 – LONG-TERM OBLIGATIONS – (Continued)

This issue is comprised of both current interest bonds, par value \$8,610,000, and capital appreciation bonds, par value \$413,505. The interest rates on the current interest bonds range from 3.20% to 4.70%. The capital appreciation bonds mature December 1, 2011 (effective interest 4.60%), December 1, 2012 (effective interest 4.70%) and December 1, 2013 (effective interest 4.75%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for each capital appreciation bond is \$745,000. The District has a total of \$1,505,024 in accreted interest on the capital appreciation bonds as of June 30, 2011.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final stated maturity date for the issue is December 1, 2016.

- C. Capital Lease - In a prior year, the District entered into a lease for software equipment. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. This lease was paid by the general fund and repaid in full during fiscal year 2011.

The following is a summary of the future debt service requirements to maturity for the middle school refinancing general obligation bonds:

Fiscal Year	Current Interest Bonds	Capital Appreciation Bonds	Interest/ Accretion	Total
2012		\$110,148	\$737,782	\$847,930
2013		94,310	753,620	847,930
2014		81,227	766,703	847,930
2015	\$735,000		85,657	820,657
2016	770,000		66,390	836,390
2017	685,000			685,000
Total	<u>\$2,190,000</u>	<u>\$285,685</u>	<u>\$2,410,152</u>	<u>\$4,885,837</u>

- D. During fiscal year 2006, the District issued \$1,238,000 in Energy Conservation Facility Bonds, Qualified Zone Academy Bonds (QZAB). The QZAB Series 2005 bonds mature September 23, 2015. The District is required to make mandatory sinking fund deposits (consisting of cash and/or U.S. Treasury obligations) on September 23, in the following years and in the following amounts (in each case equal to the value of any cash deposits, plus the stated principal value at maturity of any U.S. Treasury obligations plus any interest to be paid thereon through and including the maturity date) except the final principal payment date shall be the maturity date:

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 7 – LONG-TERM OBLIGATIONS – (Continued)

September 23 of year	Amounts Due	Amounts Deposited
2006	\$ 110,423	\$ 110,423
2007	110,423	110,423
2008	110,423	110,423
2009	110,423	110,423
2010	110,423	110,423
2011	110,423	
2012	110,423	
2013	110,423	
2014	110,423	
	\$ 993,807	\$ 552,115

The QZAB Series 2005 bonds required stated annual interest payments. During fiscal year 2011, the District made \$110,423 in sinking fund deposits. The resources, being accumulated through the sinking fund, are reported in the bond retirement fund (a major governmental fund). The required sinking fund deposits are expected to be sufficient to retire the QZAB Series 2005 bonds upon maturity.

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011 are a voted debt margin of \$13,865,799 and an unvoted debt margin of \$183,595.

NOTE 8 - RISK MANAGEMENT

A. Ohio School Plan

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 8 - RISK MANAGEMENT - (Continued)

The Plan issues its own policies and reinsures the Plan with reinsurances carriers. Only of the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	2010	2009	
Assets	\$ 3,859,753	\$ 3,662,470	
Liabilities	1,732,921	1,729,914	
Members' equity	\$ 2,126,832	\$ 1,932,556	

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

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.

B. Employee Group Life, Medical, Dental, and Vision Insurance

The District provides life insurance and accidental death and dismemberment insurance to all regular contracted teachers through Lafayette Life in the amount of \$25,000. All eligible part-time contracted employees are covered in the amount of \$12,500.

The District provides life insurance and accidental death and dismemberment insurance to classified employees who work 6 hours per day in the amount of \$20,000; for employees who work 4 to 6 hours per day in the amount of \$10,000; and for employees working less than 4 hours per day \$5,000.

The District provides life insurance to administrators in the amount of \$50,000.

The District provides life insurance and accidental death and dismemberment insurance to secretaries and fiscal services personnel who work 6 hours per day or more \$30,000; 4 to 6 hours per day \$15,000; and less than 4 hours per day \$7,500.

The District has elected to provide a comprehensive medical benefits package to the employees through a fully insured program. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible. Medical Mutual Insurance Company administers the medical plan. The total monthly premium for medical is \$721.26 for single coverage and \$1,575.25 for family coverage. The District's portion of the monthly premium is \$649.13 for single coverage and \$1,417.72 for family coverage, which is paid out of the same fund that pays the salary for the employees. The employee monthly portion of the premium is \$72.13 for single coverage and \$157.53 for family coverage, which is withheld from their biweekly payroll.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 8 - RISK MANAGEMENT – (Continued)

Effective January 1, 2006, the Board had another medical plan referred to as the “Core Plan” available for employees to choose for a slightly lower premium. The Core Plan allows for a \$200 single and \$400 family deductible in network and a \$400 single and \$800 family out of network deductible. This medical plan was also carried by Medical Mutual Insurance Company. The total monthly premiums for medical are \$657.25 for single coverage and \$1,435.39 for family coverage. The District’s portion of the monthly premium is \$624.38 for single coverage and \$1,363.62 for family coverage, which is paid for out of the same fund that pays the salary of the employee. The employee portion for the Core Plan is \$32.87 for single coverage and \$71.77 for family coverage, which is withheld from their biweekly payroll.

The District provides dental coverage for its employees on a fully insured basis through Core Source. The total monthly premium is \$65.84 for single and \$65.84 for family coverage. This premium includes the employee portion, which is paid by the District.

The above employee portions of premiums for medical and dental insurance are for full-time employees. Part-time employees may pay pro-rated premiums for coverage.

C. Workers’ Compensation

The District participates independently with Sheakley Unicomp, Inc. for workers’ compensation coverage.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or on their website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The District’s contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$383,499, \$381,948, and \$245,117, respectively; which equaled the required contributions each year.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (Continued)

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more year of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (Continued)

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65 whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DV Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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.

For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's contributions for pension obligations for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,323,663 \$1,263,870, and \$1,223,174, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal year 2010 and 2009.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2011 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid. As of June 30, 2011, none of the Board of Education members have elected social security.

NOTE 10 - POST EMPLOYMENT BENEFITS

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

State Teachers Retirement System

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the fiscal years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio Law. The District's contributions for post-employment health care for fiscal years ended June 30, 2011, 2010 and 2009 were \$101,820, \$97,221, and \$94,090 respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan SERS administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76 percent. The District's contributions for the fiscal years ended June 30, 2011, 2010 and 2009 were \$22,806, \$22,714, and \$20,224, respectively, which equaled the required contributions each year.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 10 - POST EMPLOYMENT BENEFITS – (Continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$13,804, \$52,676, and \$163,794, respectively, which equaled the required contributions each year.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 11 – CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 11 – CONTINGENCIES – (Continued)

B. Litigation

The District is not involved in any litigation as either plaintiff or defendant.

NOTE 12 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	Textbook Reserve	Capital Acquisition
Set Aside Reserve Balance June 30, 2010		
Current Year Set Aside Requirement	276,508	\$276,508
Current Year Qualifying Expenditures	(283,312)	(333,023)
Excess Qualifying Expenditures from Prior Years	(1,132,810)	
Total	(\$1,139,614)	(\$56,515)

The District had qualifying disbursements in the current and prior fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, the textbook set-aside laws have been repealed. Therefore, the negative amount is not presented as being carried forward to future years.

The District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside. This extra amount may not be carried forward. The District had prior year capital disbursements from bond proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

In addition, the District has received \$14,198 from the State of Ohio that is restricted for school bus purchases.

NOTE 13 - RESTATEMENT OF FUND BALANCE AND CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 59, *“Financial Instruments Omnibus.”* GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the District. Implementation of this GASB Statement did not affect the presentation of the financial statements of the District.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

**NOTE 13 - RESTATEMENT OF FUND BALANCE AND CHANGE IN ACCOUNTING PRINCIPLES –
(Continued)**

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Other Governmental Funds
Fund Balance at June 30, 2010	\$ 6,246,106	\$ 1,261,089
Change in Fund Structure	21,942	(21,942)
Adjusted Fund Balance at July1, 2010	\$ 6,268,048	\$ 1,239,147

NOTE 14 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 14 – FUND BALANCE – (Continued)

The constraints place on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Government Funds</u>
Restricted for:					
Permanent Improvements			\$1,968,395	\$33,508	\$2,001,903
Debt Retirement		\$1,055,937			1,055,937
Bus Purchases	\$14,198				14,198
Food Service Operations				25,944	25,944
Extracurricular Activities				19,680	19,680
Learning Opportunities				69,570	69,570
Non-Public Schools				191,821	191,821
Information Systems				17,805	17,805
Professional Development				4,645	4,645
Reading Proficiency				3,826	3,826
Alternative Education				1,885	1,885
Poverty Aid				220,907	220,907
Special Instruction				340,571	340,571
Technology Improvements				365	365
Improve Teacher Quality				10,921	10,921
Drug Prevention					
Education				1,292	1,292
English Proficiency				1,386	1,386
Academic Improvements				23,360	23,360
Total Restricted for:	<u>14,198</u>	<u>1,055,937</u>	<u>1,968,395</u>	<u>967,486</u>	<u>4,006,016</u>
Assigned for:					
Textbooks	583,693				583,693
Public School Support	23,208				23,208
Unpaid Obligations	519,206				519,206
Total Assigned for:	<u>1,126,107</u>				<u>1,126,107</u>
Unassigned	2,900,761				2,900,761
Total Fund Balances	<u><u>\$4,041,066</u></u>	<u><u>\$1,055,937</u></u>	<u><u>\$1,968,395</u></u>	<u><u>\$967,486</u></u>	<u><u>\$8,032,884</u></u>

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 15 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance - budget and actual (cash basis) presented 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 cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund is as follows:

Net Change in Fund Balance	
	General Fund
Cash basis	(\$2,226,982)
Funds budgeted elsewhere**	(1,450)
Adjustment for encumbrances	(519,022)
Budget basis	(\$2,747,454)

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the public school support fund, uniform school supplies fund and the emergency levy fund.

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**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Child and Adult Care Food Program	10.558	\$41,100	\$41,100
<u>Nutrition Cluster:</u>			
National School Lunch Program			
Non-cash Assistance (Food Distribution)	10.555	67,128	67,128
Cash Assistance	10.555	613,657	613,657
Total National School Lunch Program		680,785	680,785
Summer Food Service Program for Children	10.559	22,937	22,937
School Breakfast Program	10.553	191,168	191,168
Total Nutrition Cluster		894,890	894,890
Total U.S. Department of Agriculture		935,990	935,990
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
<u>Title I Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	681,203	764,287
ARRA - Title I Grants to Local Educational Agencies	84.389	151,728	188,485
Total Title I Cluster		832,931	952,772
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	488,763	442,207
ARRA - Special Education - Grants to States	84.391	432,044	432,172
Special Education - Preschool Grants	84.173	41,054	41,054
ARRA - Special Education - Preschool Grants	84.392	8,620	9,230
Total Special Education Cluster		970,481	924,663
Twenty-First Century Community Learning Centers	84.287	282,189	390,142
<u>Education Technology State Grants Cluster:</u>			
Education Technology State Grants	84.318	2,229	1,899
ARRA - Education Technology State Grants	84.386	317,979	399,607
Total Education Technology State Grants Cluster		320,208	401,506
English Language Acquisition Grants	84.365	4,104	7,038
Improving Teacher Quality State Grants	84.367	207,380	207,935
School Improvement	84.377	1,108	9,324
<u>Education for Homeless Children and Youth Cluster:</u>			
Education for Homeless Children and Youth	84.196	27,320	31,158
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	20,955	24,721
Total Education for Homeless Children and Youth Cluster		48,275	55,879
Adult Education - Basic Grants to States	84.002	97,199	114,493
ARRA - State Fiscal Stabilization Fund - Education State Fund	84.394	794,089	1,103,075
Total U.S. Department of Education		3,557,964	4,166,827
Total Federal Awards Receipts and Expenditures		\$4,493,954	\$5,102,817

The accompanying notes to this schedule are an integral part of this schedule.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

Fostoria City School District
Seneca County
500 Parkway Drive
Fostoria, Ohio 44830-1513

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 Fostoria City School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2012, wherein we noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We also noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 16, 2012.

We intend this report solely for the information and use of management, the audit committee, Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

March 16, 2012



Dave Yost • Auditor of State

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

Fostoria City School District
Seneca County
500 Parkway Drive
Fostoria, Ohio 44830-1513

To the Board of Education:

Compliance

We have audited the compliance of the Fostoria City School District, Seneca County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Fostoria City School District, Seneca County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-002.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2011-002. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We also noted matters involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 16, 2012.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 16, 2012

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster - CFDA #84.027, 84.391, 84.173, and 84.392; Education Technology State Grants Cluster - CFDA #84.318 and 84.386; ARRA State Fiscal Stabilization Fund Education State Grants - CFDA #84.394; Twenty-First Century Community Learning Centers - CFDA #84.287
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2011-001

Noncompliance Citation

Ohio Revised Code, § 117.38, provides each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

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

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

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

3. FINDINGS AND FOR FEDERAL AWARDS

Finding Number	2011-002
CFDA Title and Number	State Fiscal Stabilization Fund CFDA 84.394
Federal Award Number / Year	2010 and 2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Cash Management – Noncompliance Citation/Significant Deficiency

34 CFR 80.20(b)(7) requires federal grant recipients to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transaction reports to the awarding agency. When advances are made by letter-of-credit or electronic funds transfer of funds methods, the grantee must make draw downs as close as possible to the time of making disbursements. Grantees must monitor cash draw downs by their subgrantees to assure that they conform substantially to the same standards of time and amount as apply to advances to the grantees.

**FINDING NUMBER 2011-002
(Continued)**

State Fiscal Stabilization Funds (SFSF) funds were distributed to the District through the foundation program on a bi-monthly basis. Local education agency's must have an internal control system in place for ensure advance SFSF payments are spent timely (i.e., within 30 days).

SFSF funds were not disbursed timely (i.e. within 30 days) after they were received. The cash fund balance in the SFSF fund ranged from \$482,996 in February, 2011 to \$527 at fiscal year end. The \$482,996 represents approximately 8 months of receipts.

We recommend the District implement an internal control system for ensuring SFSF funds are spent in a timely manner.

Officials' Response:

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

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**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-002	The District has corrected their accounts so the federal dollars are spent on a bi-weekly basis. We will also conduct internal audits to make sure the money is spent timely.	June 30, 2011	Jaime Pearson, Treasurer

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**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Material Weakness due to errors in Financial Reporting	Yes	
2010-002	Ohio Administrative Code § 117-2-03(B) reporting on a basis other than generally accepted accounting principles.	No	Not corrected, repeated in this report as finding 2011-001.
2010-003	ORC §135.13 Investing in an unallowable mutual fund.	Yes	
2010-004	34CFR 80.20 (b)(7) failure to disburse SFSF grant funding timely.	No	Not corrected, repeated in this report as finding 2011-002.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Fostoria City School District
Seneca County
500 Parkway Drive
Fostoria, Ohio 44830-1513

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on October 18, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 16, 2012

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Dave Yost • Auditor of State

FOSTORIA CITY SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2012**