



Dave Yost · Auditor of State



**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Old Fort Local School District  
Seneca County  
7635 North County Road 51  
P.O. Box 64  
Old Fort, Ohio 44861-0064

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Old Fort Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2012, 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, the major fund, and the aggregate remaining fund information of Old Fort Local School District, Seneca County, Ohio, as of June 30, 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2013, 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.

Old Fort Local School District  
Seneca County  
Independent Accountants' Report  
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We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables 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 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

April 17, 2013

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

The management's discussion and analysis of Old Fort Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

Key financial highlights for 2012 are as follows:

- The total net assets of the District decreased \$9,740 or 0.91% from fiscal year 2011.
- General receipts accounted for \$3,601,167 or 68.16% of total governmental activities receipts. Program specific receipts accounted for \$1,681,944 or 31.84% of total governmental activities receipts.
- The District had \$5,292,851 in disbursements related to governmental activities; \$1,681,944 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts, primarily taxes, unrestricted grants, and entitlements, of \$3,601,167 were not adequate to provide for these programs.
- The District's only major fund is the general fund. The general fund had total receipts and other financing sources of \$4,531,234 in 2012. Disbursements of the general fund totaled \$4,511,683 in 2012. The general fund's balance increased \$19,551, or 2.13%, from 2011 to 2012.

### **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 - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis 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 nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

### **Basis of Accounting**

The District has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net assets will be cash, cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

### **Reporting the District as a Whole**

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

**Statement of Net Assets and the Statement of Activities**

The statement of net assets and statement of activities reflect how the District did financially during fiscal year 2012, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental type activities of the District at the 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 position and the changes in cash position. Keeping in mind the limitations 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, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and statement of activities, the governmental activities include the District's programs and services including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities and food service operations.

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

**Fund Financial Statements**

Fund financial statements 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 fund is the general 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 the year-end available for spending in future periods. The governmental fund financial statements provide a detailed 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 readily spent to finance various District programs. The District's significant most governmental fund, the general fund, is presented on the financial statements in a separate column. The information for non-major funds (funds whose activities or balances are not large enough to warrant separate reporting) is combined and presented in a single column.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

**Notes to the Financial Statements**

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

**The District as a Whole**

The table below provides a summary of the District's net assets for 2012 and 2011.

	<b>Net Assets</b>	
	Governmental Activities 2012	Governmental Activities 2011
<b>Assets</b>		
Equity in pooled cash and cash equivalents	\$ 1,060,450	\$ 1,070,129
Cash with fiscal agent	<u>10</u>	<u>71</u>
Total assets	<u><u>\$ 1,060,460</u></u>	<u><u>\$ 1,070,200</u></u>
<b>Net Assets</b>		
Restricted	\$ 124,944	\$ 154,776
Unrestricted	<u>935,516</u>	<u>915,424</u>
Total net assets	<u><u>\$ 1,060,460</u></u>	<u><u>\$ 1,070,200</u></u>

The total net assets of the District decreased \$9,740, which represents an 0.91% decrease from fiscal year 2011. The balance of government-wide unrestricted net assets of \$935,516 may be used to meet the government's ongoing obligations to citizens and creditors.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

The table below shows the changes in net assets for fiscal years 2012 and 2011.

	<b>Change in Net Assets</b>	
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<b>Receipts:</b>		
Program receipts:		
Charges for services and sales	\$ 1,116,549	\$ 1,027,691
Operating grants and contributions	<u>565,395</u>	<u>683,265</u>
Total program receipts	<u>1,681,944</u>	<u>1,710,956</u>
General receipts:		
Property taxes	1,157,342	1,104,604
Income tax	437,516	403,824
Unrestricted grants	1,923,529	1,911,145
Payments in lieu of taxes		17,234
Investment earnings	1,886	3,651
Other	<u>80,894</u>	<u>53,819</u>
Total general receipts	<u>3,601,167</u>	<u>3,494,277</u>
Total receipts	<u>5,283,111</u>	<u>5,205,233</u>

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

<b>Change in Net Assets (Continued)</b>		
	Governmental Activities 2012	Governmental Activities 2011
<b>Disbursements:</b>		
Instruction:		
Regular	\$ 2,363,455	\$ 2,423,460
Special	396,546	473,759
Vocational	69,911	45,392
Other	71,090	82,335
Support services:		
Pupil	208,325	173,516
Instructional staff	229,842	204,386
Board of education	8,771	14,234
Administration	436,379	407,234
Fiscal	207,997	222,111
Operations and maintenance	509,560	416,911
Pupil transporation	238,568	246,191
Central	68,645	65,960
Non instructional services:		
Food service operations	149,062	168,842
Other non instructional services		2,137
Extracurricular	144,967	182,510
Facilities acquisition and construction	171,233	152,132
Debt service:		
Principal retirement	17,080	16,694
Interest and fiscal charges	1,420	1,807
Total disbursements	<u>5,292,851</u>	<u>5,299,611</u>
Change in net assets	(9,740)	(94,378)
Net assets at beginning of year	<u>1,070,200</u>	<u>1,164,578</u>
Net assets at end of year	<u>\$ 1,060,460</u>	<u>\$ 1,070,200</u>

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

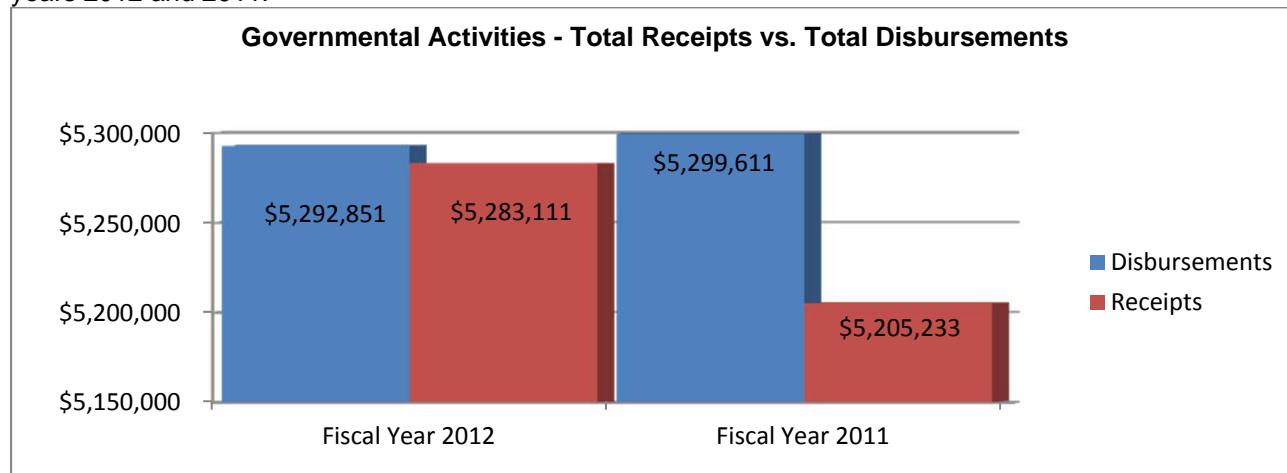
**Governmental Activities**

Governmental assets decreased by \$9,740 in 2012 from 2011. Total governmental disbursements of \$5,292,851 were offset by program receipts of \$1,681,944 and general receipts of \$3,601,167. Program receipts supported 31.78% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These sources represent 66.60% of total governmental receipts. Real estate property on which property taxes are levied is reappraised every six years.

The largest disbursement of the District is for instructional programs. Instruction disbursements totaled \$2,901,002 or 54.81% of total governmental disbursements for fiscal year 2012.

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2012 and 2011.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 revenue and unrestricted State grants and entitlements.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
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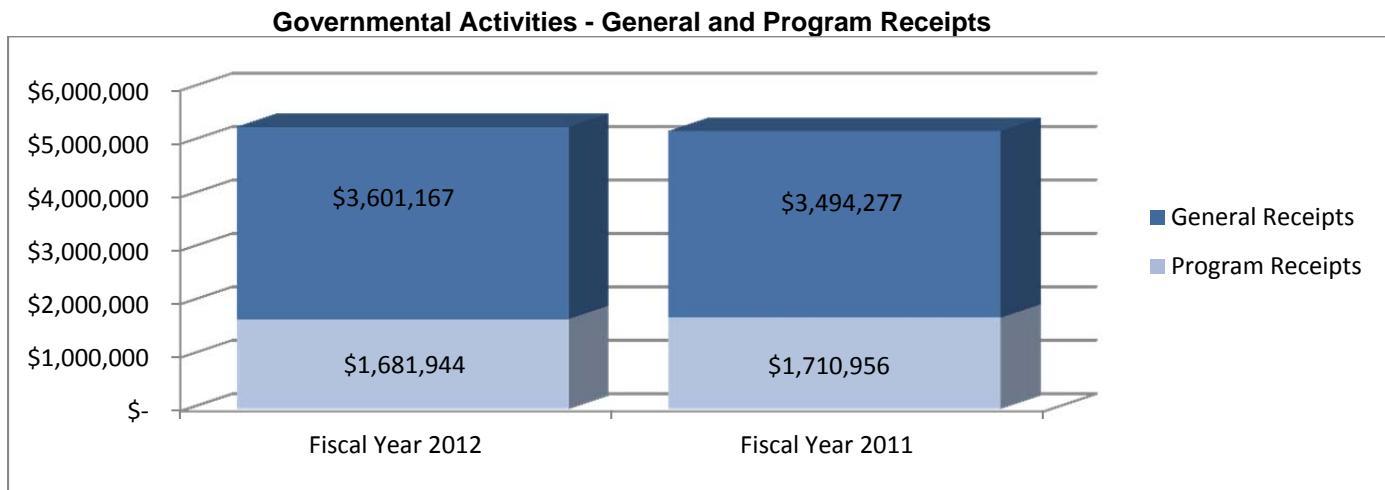
<b>Governmental Activities</b>				
	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
<b>Disbursements:</b>				
Instruction:				
Regular	\$ 2,363,455	\$ 1,385,694	\$ 2,423,460	\$ 1,638,567
Special	396,546	12,635	473,759	165,854
Vocational	69,911	69,396	45,392	45,118
Other	71,090	14,493	82,335	987
Support services:				
Pupil	208,325	208,228	173,516	172,637
Instructional staff	229,842	212,652	204,386	177,865
Board of education	8,771	8,771	14,234	14,234
Administration	436,379	436,367	407,234	406,943
Fiscal	207,997	207,997	222,111	222,111
Operations and maintenance	509,560	501,210	416,911	279,607
Pupil transportation	238,568	230,452	246,191	107,978
Central	68,645	65,045	65,960	56,410
Non-instructional services:				
Food service operations	149,062	(17,756)	168,842	1,590
Other non-instructional services			2,137	2,137
Extracurricular	144,967	85,990	182,510	125,984
Facilities acquisition and construction	171,233	171,233	152,132	152,132
Debt service:				
Principal retirement	17,080	17,080	16,694	16,694
Interest and fiscal charges	1,420	1,420	1,807	1,807
Total	<u>\$ 5,292,851</u>	<u>\$ 3,610,907</u>	<u>\$ 5,299,611</u>	<u>\$ 3,588,655</u>

The dependence upon general receipts for governmental activities is apparent. For all governmental activities, general receipts supported 68.03% of disbursements. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support of the District's students.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

The graph below presents the District's governmental activities receipts for fiscal year 2012 and 2011.



**The District's Funds**

At June 30, 2012 the District's governmental funds reported a combined fund cash balance of \$1,060,460, which is \$9,740 lower than last year's total of \$1,070,200. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2012 and June 30, 2011, for the general fund and the nonmajor governmental funds.

	<u>Fund Balance June 30, 2012</u>	<u>Fund Balance June 30, 2011</u>	<u>Increase/ (Decrease)</u>
Major Funds:			
General	\$ 936,149	\$ 916,598	\$ 19,551
Nonmajor governmental funds	124,311	153,602	(29,291)
Total	<u>\$ 1,060,460</u>	<u>\$ 1,070,200</u>	<u>\$ (9,740)</u>

**General Fund**

The general fund, the District's largest major fund, had total receipts and other financing sources of \$4,531,234 in 2012. The disbursements of the general fund totaled \$4,511,683 in 2012. The general fund's balance increased \$19,551, or 2.13%, from 2011 to 2012.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

The following table shows activity of the general fund for fiscal years 2012 and 2011.

	2012 Amount	2011 Amount	Percentage Change
<b><u>Receipts:</u></b>			
Taxes	\$ 1,525,597	\$ 1,441,745	5.82 %
Tuition	929,286	849,979	9.33 %
Earnings on investments	1,886	3,651	(48.34) %
Other local revenues	47,659	62,330	(23.54) %
Payments in lieu of taxes		16,672	(100.00) %
Intergovernmental - State	<u>2,022,806</u>	<u>2,020,099</u>	0.13 %
Total	<u>\$ 4,527,234</u>	<u>\$ 4,394,476</u>	3.02 %
<b><u>Disbursements</u></b>			
Instruction	\$ 2,541,784	\$ 2,702,775	(5.96) %
Support services	1,799,645	1,567,924	14.78 %
Operation of non-instructional services		2,137	(100.00) %
Extracurricular	101,754	131,200	(22.44) %
Facilities acquisition and construction	50,000	37,558	33.13 %
Debt service	<u>18,500</u>	<u>18,501</u>	(0.01) %
Total	<u>\$ 4,511,683</u>	<u>\$ 4,460,095</u>	1.16 %

Taxes collected during 2012 were 5.82% higher than collections in 2011 due to the timing of tax collections and an increase of 8.91% in the assessed valuation on which calendar year 2012 property tax receipts were based, affecting the second half of the District's fiscal year. Tuition receipts in the general fund increased \$79,307, or 9.33%, from the prior year due to increased special education tuition payments received from other Districts and higher open enrollment collections compared to fiscal year 2011. Earnings on investments decreased \$1,765, or 48.34%, from fiscal year 2011 due to changes in interest rates, and other local revenues decreased 23.54% because of lower extracurricular receipts from elementary students during 2012, vending machine commissions received in fiscal 2011 compared to no commissions received during fiscal year 2012, and Medicaid reimbursements that were \$3,096 lower than in fiscal year 2011. Additionally, the District recognized no payment in lieu of taxes receipts for tax abatements during fiscal year 2012, compared to \$16,672 received in the previous reporting period.

Current expenditures of the District for instruction and support services varied somewhat from the prior year. Instruction disbursements decreased 5.96%, primarily due to lower spending for regular instruction, while support services disbursements increased 14.78% due to higher disbursements for administration, instructional staff, and operations and maintenance. The most significant of these increases was for operations and maintenance, resulting from utility payments for electricity exceeding \$101,000 that were previously disbursed from the education stabilization fund, a nonmajor governmental fund, fiscal year 2012 disbursements for property insurance not incurred during fiscal year 2011, and increased spending for the care and upkeep of the District's buildings and grounds.

Extracurricular disbursements decreased 22.44% due to lower spending on student athletics despite a slight increase in cash used for academic-related extracurricular activities. Additionally, the District spent \$50,000 for common area facilities upgrades, 33.13% in excess of fiscal year 2011 facilities acquisition and construction disbursements related to a study in consideration of engaging in a construction project with the Ohio School Facilities Commission.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

**Budgeting Highlights - General Fund**

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. For the general fund, final budgeted receipts and other financing sources of \$4,574,200 were equal to original budgeted receipts and other financing sources. Actual receipts and other financing sources of \$4,523,372 were lower than final budgeted receipts and other financing sources by \$50,828.

The final budgeted disbursements and other financing uses of \$4,508,277 were increased \$50,000 from original budgeted disbursements and other financing uses of \$4,458,277. Actual budgeted disbursements and other financing uses of \$4,523,313 were \$15,036 higher than in the final budget.

**Capital Assets**

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District's governmental activities had facilities acquisition and construction disbursements of \$171,233 during fiscal year 2012.

**Debt Administration**

The District had an energy conservation loan balance of \$50,607 and \$67,687 outstanding at June 30, 2012 and 2011, respectively. For further information regarding the District's debt, refer to Note 9 to the financial statements.

**Current Financial Related Activities**

In November 2008, the voters of the District renewed a five-year 1% income tax that was scheduled to expire on January 1, 2010. At the time of renewal, the income tax was estimated to generate \$458,000 annually; however, in fiscal year 2012 it generated only \$437,516 or approximately 9.66% of the District's total operating receipts in the general fund. In addition to the income tax, the District currently levies real estate taxes totaling 44.3 mills for general operations and 2 mills for permanent improvements. These taxes generated \$1,157,342 during fiscal year 2012, \$69,261 of which was restricted for capital projects.

The District received education jobs funding in fiscal year 2012, totaling \$121,910. These funds were only approved for one year and will be discontinued beginning in fiscal year 2013. The District's five-year forecast prepared in May 2012 begins to project a negative ending balance at the end of fiscal year 2014.

The District's five-year forecast currently projects the continuation of deficit spending if all trends continue. Additional revenues from new operating levies or budget reductions will be necessary to discontinue such deficits and avoid negative ending cash balances in the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, 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 Jaime Pearson, Treasurer, Old Fort Local School District, 7635 N. Co. Rd. 51, Old Fort, Ohio 44861-0064.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2012**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 1,060,450
Cash with fiscal agent	10
 Total assets	 <hr/>
	\$ 1,060,460
<b>Net Assets:</b>	
Restricted for:	
Capital projects	\$ 78,724
Federally funded programs	1,028
Student activities	17,387
Other purposes	27,805
Unrestricted	935,516
 Total net assets	 <hr/>
	\$ 1,060,460

*See accompanying notes to the basic financial statements*

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

							<b>Net (Disbursements)</b>
							<b>Receipts and</b>
							<b>Changes in</b>
							<b>Net Assets</b>
			<b>Program Receipts</b>				
		<b>Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>			<b>Governmental Activities</b>
<b>Governmental activities:</b>							
Instruction:							
Regular	\$	2,363,455	\$	855,261	\$	122,500	\$ (1,385,694)
Special		396,546		92,668		291,243	(12,635)
Vocational		69,911		449		66	(69,396)
Other		71,090				56,597	(14,493)
Support services:							
Pupil		208,325				97	(208,228)
Instructional staff		229,842				17,190	(212,652)
Board of education		8,771					(8,771)
Administration		436,379				12	(436,367)
Fiscal		207,997					(207,997)
Operations and maintenance		509,560		8,350			(501,210)
Pupil transportation		238,568		6,100		2,016	(230,452)
Central		68,645				3,600	(65,045)
Operation of non-instructional services:							
Food service operations		149,062		99,672		67,146	17,756
Extracurricular activities		144,967		54,049		4,928	(85,990)
Facilities acquisition and construction		171,233					(171,233)
Debt service:							
Principal retirement		17,080					(17,080)
Interest and fiscal charges		1,420					(1,420)
<b>Totals</b>	\$	<b>5,292,851</b>	\$ <b>1,116,549</b>	\$ <b>565,395</b>			<b>(3,610,907)</b>

## **General Receipts:**

Property taxes levied for:

General purposes 1,088,081

Capital projects 69,261

School district income taxes 437,516

Grants and entitlements not restricted

to specific programs 1,923,529

Investment earnings 1,886

Miscellaneous 80,894

Total general points 2,604,167

Total general receipts 3,601,167

Change in net assets (9,740)

**Net assets at beginning of year** **1,070,200**

---

**Net assets at end of year** \$ 1 060 460

**Net assets at end of year** **¥ 1,000,400**

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#### *The basic financial statements*

#### **The basis financial statements**

*See accompanying notes to the basis financial statements*

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 936,149	\$ 124,301	\$ 1,060,450
Cash with fiscal agent	<hr/>	10	10
 Total assets	 <hr/>	 <hr/>	 <hr/>
	<b>\$ 936,149</b>	<b>\$ 124,311</b>	<b>\$ 1,060,460</b>
 <b>Fund Balances:</b>			
Restricted:			
Capital improvements	\$ 78,724	\$ 78,724	\$ 78,724
Food service operations	27,805	27,805	27,805
Migrant program	867	867	867
Special education	10	10	10
Extracurricular	17,387	17,387	17,387
Other purposes	151	151	151
Assigned:			
Student instruction	\$ 22,016		\$ 22,016
Student and staff support	47,036		47,036
Extracurricular activities	4,800		4,800
Other purposes	5,029		5,029
Unassigned (deficit)	<hr/>	(633)	<hr/>
 Total fund balances	 <hr/>	 <hr/>	 <hr/>
	<b>\$ 936,149</b>	<b>\$ 124,311</b>	<b>\$ 1,060,460</b>

*See accompanying notes to the basic financial statements*

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>			
From local sources:			
Property taxes	\$ 1,088,081	\$ 69,261	\$ 1,157,342
Income taxes	437,516		437,516
Tuition	929,286		929,286
Transportation fees	240	6,100	6,340
Earnings on investments	1,886		1,886
Charges for services		99,672	99,672
Extracurricular	6,323	47,486	53,809
Classroom materials and fees	19,209		19,209
Rental income	8,350		8,350
Contributions and donations	1,474	6,147	7,621
Other local revenues	12,063	68,831	80,894
Intergovernmental - State	2,022,806	22,303	2,045,109
Intergovernmental - Federal		436,077	436,077
Total receipts	<u>4,527,234</u>	<u>755,877</u>	<u>5,283,111</u>
<b>Disbursements:</b>			
Current:			
Instruction:			
Regular	2,240,955	122,500	2,363,455
Special	220,426	176,120	396,546
Vocational	69,911		69,911
Other	10,492	60,598	71,090
Support services:			
Pupil	208,219	106	208,325
Instructional staff	208,702	21,140	229,842
Board of education	8,771		8,771
Administration	436,329	50	436,379
Fiscal	206,625	1,372	207,997
Operations and maintenance	439,353	70,207	509,560
Pupil transportation	226,601	11,967	238,568
Central	65,045	3,600	68,645
Operation of non-instructional services:			
Food service operations		149,062	149,062
Extracurricular activities	101,754	43,213	144,967
Facilities acquisition and construction	50,000	121,233	171,233
Debt service:			
Principal retirement	17,080		17,080
Interest and fiscal charges	1,420		1,420
Total disbursements	<u>4,511,683</u>	<u>781,168</u>	<u>5,292,851</u>
Excess of receipts over (under) disbursements	<u>15,551</u>	<u>(25,291)</u>	<u>(9,740)</u>
<b>Other financing sources (uses):</b>			
Advances in	4,000		4,000
Advances (out)		(4,000)	(4,000)
Total other financing sources (uses)	<u>4,000</u>	<u>(4,000)</u>	
Net change in fund balances	19,551	(29,291)	(9,740)
<b>Fund balances at beginning of year</b>	<b>916,598</b>	<b>153,602</b>	<b>1,070,200</b>
<b>Fund balances at end of year</b>	<b>\$ 936,149</b>	<b>\$ 124,311</b>	<b>\$ 1,060,460</b>

See accompanying notes to the basic financial statements

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND**  
**BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		
<b>Receipts:</b>					
From local sources:					
Property taxes	\$ 1,108,000	\$ 1,108,000	\$ 1,088,081	\$ (19,919)	
Income taxes	410,000	410,000	437,516	27,516	
Tuition	977,000	977,000	929,286	(47,714)	
Transportation fees	500	500	240	(260)	
Earnings on investments	3,500	3,500	1,886	(1,614)	
Classroom materials and fees	22,500	22,500	19,209	(3,291)	
Rental income	10,000	10,000	8,350	(1,650)	
Contributions and donations			360	360	
Other local revenues	50,200	50,200	3,552	(46,648)	
Intergovernmental - State	1,961,500	1,961,500	2,022,805	61,305	
Total receipts	4,543,200	4,543,200	4,511,285	(31,915)	
<b>Disbursements:</b>					
Current:					
Instruction:					
Regular	2,402,077	2,383,403	2,257,627	125,776	
Special	131,861	156,574	229,333	(72,759)	
Vocational	47,180	47,075	70,081	(23,006)	
Other	17,228	16,980	10,492	6,488	
Support services:					
Pupil	184,231	181,725	208,268	(26,543)	
Instructional staff	189,025	185,675	221,049	(35,374)	
Board of education	14,783	14,570	8,771	5,799	
Administration	401,295	391,350	451,776	(60,426)	
Fiscal	202,032	214,152	209,275	4,877	
Operations and maintenance	440,454	470,967	453,648	17,319	
Pupil transportation	240,132	237,250	227,006	10,244	
Central	69,482	69,105	65,045	4,060	
Operation of non-instructional services	2,029	2,000		2,000	
Extracurricular activities	95,639	95,660	91,375	4,285	
Debt service:					
Principal	17,000	17,000	17,080	(80)	
Interest and fiscal charges	1,800	1,800	1,420	380	
Total disbursements	4,456,248	4,485,286	4,522,246	(36,960)	
Excess of receipts over (under) disbursements	86,952	57,914	(10,961)	(68,875)	
<b>Other financing sources (uses):</b>					
Refund of prior year's expenditures	30,000	30,000	7,707	(22,293)	
Transfers (out)			(712)	(712)	
Advances in			4,000	4,000	
Other uses	(2,029)	(22,991)	(355)	22,636	
Sale of assets	1,000	1,000	380	(620)	
Total other financing sources (uses)	28,971	8,009	11,020	3,011	
Net change in fund balance	115,923	65,923	59	(65,864)	
<b>Fund balance at beginning of year</b>	790,633	790,633	790,633		
<b>Prior year encumbrances appropriated</b>	66,576	66,576	66,576		
<b>Fund balance at end of year</b>	\$ 973,132	\$ 923,132	\$ 857,268	\$ (65,864)	

See accompanying notes to the basic financial statements

## OLD FORT LOCAL SCHOOL DISTRICT

SENECA COUNTY

## STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS

FIDUCIARY FUNDS

JUNE 30, 2012

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$ 3,000	\$ 30,276
<b>Net assets:</b>		
Held in trust for scholarships	\$ 3,000	
Held for student activities	\$ 30,276	
Total net assets	<b>\$ 3,000</b>	<b>\$ 30,276</b>

*See accompanying notes to the basic financial statements*

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions	\$ 3,000
<b>Deductions:</b>	
Scholarships awarded	2,150
Change in net assets	850
<b>Net assets at beginning of year</b>	<b>2,150</b>
<b>Net assets at end of year</b>	<b>\$ 3,000</b>

*See accompanying notes to the basic financial statements*

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**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 - REPORTING ENTITY**

Old Fort Local School District (the "District") is located in Seneca County and encompasses the towns of Old Fort and Fort Seneca. The District serves an area of approximately 49 square miles.

The District was established in 1841 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 1 elementary school and 1 comprehensive middle/high school. The District employs 22 non-certified employees, 33 certified employees and 3 administrators to provide services to 450 students in grades K through 12 and various community groups.

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 government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**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:

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 1 - REPORTING ENTITY - (Continued)**

**JOINTLY GOVERNED ORGANIZATIONS**

**Northern Ohio Educational Computer Association (NOECA)**

The District is a participant in the NOECA, which is a computer consortium. NOECA is an association of forty-one public school 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 school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**Vanguard-Sentinel Technology and Career Centers**

The Vanguard-Sentinel Technology and Career Centers is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Technology and Career Centers at 1306 Cedar Street, Fremont, Ohio 43420.

**Northwestern Ohio Educational Research Council, Inc. (NOERC)**

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

**Bay Area Council of Governments (BACG)**

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school 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 school 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 \$6,432 during fiscal year 2012 for natural gas. Financial information is available from the North Point Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 1 - REPORTING ENTITY - (Continued)**

**PUBLIC ENTITY RISK POOLS**

**Ohio School Risk Sharing Authority**

The District participates in the Ohio School Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA 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. SORSA's business and affairs are conducted by a nine member board consisting of superintendents, treasurers and business managers.

The Travelers Indemnity Company is responsible for processing claims. United Insurance Service serves as the Plan's administrator, sales representative and marketing representative which establishes agreements between SORSA and its members. Financial information can be obtained from United Insurance Service, 51 S. Washington Street, P.O. Box 708, Tiffin, Ohio 44883.

**North Central Ohio Joint Self-Insurance Association (Association)**

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center and six local school districts - Tiffin, Old Fort, Bettsville, Seneca East, Mohawk and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 10.B. for further information on this public entity risk pool.

**Workers' Compensation Group Rating Program**

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

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 propriety funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB)

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

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

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.

**A. Basis of Accounting**

Although Ohio Administrative Code § 117-2-03(B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

**GOVERNMENTAL FUNDS**

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

*General fund* -The general fund is used to account for and report all financial resources not accounted for and reported 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.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

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

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has one private-purpose trust fund. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds account for student activities and employee benefits.

**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.

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 - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparations of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Seneca County Budget Commission has waived the requirement to file a tax budget; however, an Alternative Tax Budget Information form is to be completed and filed with the County Budget Commission. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

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

Advances in and advances out are not required to be budgeted since they represent temporary cash flow resources and are expected to be repaid.

**1. Alternative Tax Budget Information**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The alternative tax budget information includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the board-adopted budget is filed with the County Budget Commission for rate determination.

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

Estimated receipts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2012 and do not include the unencumbered fund balance as of July 1, 2011. However, those fund balances are available for appropriations.

**3. Appropriations**

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund level must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund level appropriation must be approved by the Board of Education.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

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

legally exceed appropriations at the legal level of control. In the budgetary financial statements, encumbrances are included in budgetary expenditures. The budgetary fund balance is cash minus outstanding encumbrances.

5. Lapsing of Appropriations

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and object level.

**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 cash equivalents" on the basic financial statements.

During fiscal year 2012, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

The District has invested funds in the STAR Ohio during fiscal year 2012. 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, 2012.

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 2012 amounted to \$1,886, which includes \$294 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 investment account at year end is provided in Note 5.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

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

**F. 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.

**G. 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.

**H. 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.

**I. 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 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-Term Obligations**

Loans 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.

**K. Fund Balance**

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**(Continued)**

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**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 receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53”.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Deficit Cash Fund Balances**

Cash balances at June 30, 2012 included the following individual cash fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I, Disadvantaged Children	\$ 145
Improving Teacher Quality	488

The general fund is liable for the deficits in these funds.

**C. Compliance**

Ohio Administrative Code, Section 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 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than assigned or committed fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

**Net Change in Fund Balance**

	<u>General fund</u>
Cash basis	\$ 19,551
Funds budgeted elsewhere **	52,518
Adjustment for encumbrances	<u>(72,010)</u>
Budget basis	<u>\$ 59</u>

\*\* 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 special trust fund, the rotary fund, the public school support fund and the self-insurance fund.

**NOTE 5 - 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.

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

**OLD FORT LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of items described in 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in such securities are made only through eligible institutions; and,
7. The State Treasurer's investment pool (STAR Ohio).

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.

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 cash equivalents."

**B. Cash with Fiscal Agent**

At fiscal year end, the District had \$10 on deposit with a fiscal agent. This amount is not included in the total amount of deposits reported below. This amount is not part of the internal cash pool and is reported separately on the financial statements as "cash with fiscal agent".

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$457,609. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, the District's entire bank balance of \$497,137 was covered by the FDIC.

**D. Investments**

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Cost</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 636,042	\$ 636,042

*Interest Rate Risk:* 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:* Standard & Poor's has assigned STAR Ohio an AAA money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating service. The District has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Cost</u>	<u>% of Total</u>
STAR Ohio	\$ 636,042	100.00

**E. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 457,609
Investments	636,042
Cash with fiscal agent	10
Cash on hand	75
Total	<u>\$ 1,093,736</u>

**OLD FORT LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,060,460
Private-purpose trust fund	3,000
Agency funds	<u>30,276</u>
Total	\$ <u>1,093,736</u>

**NOTE 6 - INTERFUND TRANSACTIONS**

Advances for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

Advance to the general fund from:  
Nonmajor governmental funds \$ 4,000

The primary purpose of the advances is to cover costs in specific funds where revenues were not received by June 30. Interfund advances between governmental funds are eliminated on the government-wide financial statements and are therefore not reported on the statement of activities.

**NOTE 7 - 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 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Seneca and Sandusky Counties. The County Auditors periodically advance to the District its portion of the taxes collected.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 7 - PROPERTY TAXES – (Continued)**

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 42,363,300	92.55	\$ 46,758,380	93.88
Public utility personal	3,409,990	7.45	3,049,100	6.12
Total	<u>\$ 45,773,290</u>	<u>100.00</u>	<u>\$ 49,807,480</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$46.30		\$46.30

**NOTE 8 - SCHOOL DISTRICT INCOME TAX**

The District levies a voted tax of one percent (1.00%) for general operations on the income of residents and of estates. The tax was a five year levy effective on January 1, 1995. In November 2008, a five-year 1.00% income tax levy was renewed by voters of the District. The renewal income tax levy became effective on January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund. Total income tax receipts for fiscal year 2012 equaled \$437,516.

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. On June 12, 2000, the District obtained a line of credit with a maximum credit amount of \$471,000. The District requested amounts as needed for the implementation of school building energy conservation improvements under the guidelines of Ohio Amended House Bill 264 and Ohio Revised Code 133.06 and 3313.322. This line of credit bears a variable interest rate which was subject to adjustment on June 12, 2003 and every thirty-six months thereafter. The effective interest rate as of June 30, 2012, was 3.83 percent and matures June 12, 2015. The primary source of repayment of this note is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the general fund.

The following is a summary of the District's future annual debt service requirements to maturity for the general obligation debt:

Year Ending June 30,	Energy Conservation Loan		
	Principal	Interest	Total
2013	\$ 17,483	\$ 1,017	\$ 18,500
2014	17,891	609	18,500
2015	<u>15,233</u>	<u>191</u>	<u>15,424</u>
Total	<u>\$ 50,607</u>	<u>\$ 1,817</u>	<u>\$ 52,424</u>

**OLD FORT LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)**

- B. During fiscal year 2012, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2011</u>		Balance Outstanding <u>June 30, 2012</u>		Amounts Due in <u>One Year</u>
	Additions	Reductions			
<b>Governmental activities:</b>					
Energy conservation loan	\$ 67,687	\$ (17,080)	\$ 50,607	\$ 17,483	

**C. 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 use 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, 2012, are a voted debt margin of \$4,482,673 and an unvoted debt margin of \$49,807.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
<b>General liability:</b>			
Aggregate	SORSA	\$ 4,000,000	
Each occurrence	SORSA	2,000,000	
Fire damage	SORSA	500,000	
Medical expense	SORSA	5,000	
<b>Excess liability:</b>			
Each occurrence	SORSA	10,000,000	
<b>Commercial Property:</b>			
Building	SORSA	29,645,243	\$1,000
Business Personal Property - included in Building Coverage			
Boiler and machinery - included in Building Coverage			
<b>Fleet:</b>			
Comprehensive	SORSA	Actual cash value	1,000
Collision	SORSA	Actual cash value	1,000

**OLD FORT LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 10 - RISK MANAGEMENT – (Continued)**

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

**B. Health Insurance**

The District joined together with other area school districts to form the North Central Ohio Joint Self Insurance Association, a public entity risk pool for seven member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$250,000 for any employee.

**C. Workers' Compensation**

For fiscal year 2012, the District participated in the OASBO Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

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

**OLD FORT LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 11 - PENSION PLANS – (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$79,211, \$96,536 and \$88,187, respectively; 61.53 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**(Continued)**

**NOTE 11 - PENSION PLANS - (Continued)**

Funding Policy - For fiscal year 2012, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$255,099, \$261,463 and \$256,514, respectively; 84.96 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$13,096, \$21,505 and \$12,431, respectively; 61.53 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$4,678, \$6,212 and \$5,244, respectively; 61.53 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$19,623, \$20,113 and \$19,732, respectively; 84.96 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 13 - 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.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 14 - STATUTORY RESERVES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	
Current year set-aside requirement	\$ 80,924
Current year qualifying expenditures	
Current year offsets	<u>(86,606)</u>
Total	<u>\$ (5,682)</u>
Balance carried forward to fiscal year 2013	
Set-aside balance June 30, 2012	

Although the District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years and is therefore not presented as being carried forward to the next fiscal year.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(Continued)**

**NOTE 15 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 72,010
Other governmental	<u>66,337</u>
Total	<u><u>\$ 138,347</u></u>



# Dave Yost • Auditor of State

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

Old Fort Local School District  
Seneca County  
7635 North County Road 51  
P.O. Box 64  
Old Fort, Ohio 44861-0064

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Old Fort Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 17, 2013, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

Old Fort Local School District  
Seneca County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

***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 grantagreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

April 17, 2013

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2012**

**FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2012-001**

**Noncompliance Citation**

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

**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 cash basis of accounting which is a comprehensive accounting basis other than 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 accounting principles generally accepted in the United States of America.

**Officials' Response**

Officials for the District believe that since the District operates on a cash basis throughout the year, the other comprehensive basis of accounting statements included in this report provide the reader with an accurate depiction of the District's financial activity of the audit period and fairly represent the District's cash basis financial position as of June 30, 2012.

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**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2011-001	Ohio Administrative Code § 117-2-03(B) for not filing annual financial report in accordance with generally accepted accounting principles.	No	Not corrected and repeated as Finding 2012-001 in this report.
2011-002	OMB Circular A-133 § .200 and OMB Circular A-133 § .320 for not having a single audit in a timely manner.	Not Applicable	Finding no longer valid. A single audit was not required in fiscal year 2012 since federal expenditures were less than \$500,000.

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# Dave Yost • Auditor of State

## OLD FORT LOCAL 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
MAY 9, 2013