



Dave Yost • Auditor of State

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fostoria City School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fostoria City School District, Seneca County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, governmental activities, and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

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

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

January 16, 2014

Fostoria City School District
Seneca County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The discussion and analysis of the Fostoria City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- ❑ In total, net position decreased \$2,474,723, mostly due to a decrease in grant revenue. The change in net position is comparable to fiscal year 2012.
- ❑ Outstanding debt principal decreased from \$3,603,537 to \$3,509,227 through principal payments made during the current year.

Using this Annual Report

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2013, the general fund, bond retirement fund and permanent improvement fund are the District's most significant funds.

Basis of Accounting

The District has elected to present its financial statements on the 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 receipt and disbursement basis presentation in a statement of net position will be cash and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and investment. 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.

Fostoria City School District
Seneca County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The statement of net position and the statement of activities answer this question.

These two statements report the District's *net position* and *change in net position*. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, governmental activities include the District's programs and services, including instruction, support services, non-instructional, extracurricular activities, capital outlay, and debt service disbursements.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Reporting the District's Fiduciary Responsibilities

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

Fostoria City School District
Seneca County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2013 compared to 2012.

(Table 1)
Net Position –Cash Basis

	Governmental Activities	
	2013	2012
Assets		
Equity in Pooled Cash and Investments	\$ 2,547,616	\$ 5,152,115
Cash and Investments with Escrow Agents	844,227	714,451
<i>Total Assets</i>	\$ 3,391,843	\$ 5,866,566
Net Position		
Restricted for:		
Capital Outlay	\$ 806,251	\$ 1,132,361
Debt Service	857,188	869,256
Other Purposes	148,405	99,897
State Funded Programs	50,411	44,717
Federally Funded Programs	171,883	357,088
Bus Purchases	0	14,198
Unrestricted	1,357,705	3,349,049
<i>Total Net Position</i>	\$ 3,391,843	\$ 5,866,566

Net position of the governmental activities decreased \$2,474,723, which represents a 42.18 percent decrease from fiscal year 2012. The decrease is the result of a decrease in operating grants, property taxes, and grants and entitlements not restricted to specific programs.

A portion of the District's net position, \$2,034,138 or 59.97 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$1,357,705 may be used to meet the District's ongoing obligations.

Fostoria City School District
Seneca County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2013 as compared to fiscal year 2012.

(Table 2)
Changes in Net Position –Cash Basis

	Governmental Activities	
	2013	2012
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 621,668	\$ 700,143
Operating Grants, Contributions and Interest	3,117,064	4,145,244
Capital Grants, Contributions and Interest	1,131	4,969
<i>Total Program Receipts</i>	<u>3,739,863</u>	<u>4,850,356</u>
General Receipts		
Property Taxes	6,982,889	7,305,495
Grants and Entitlements not Restricted to Specific Programs	12,595,401	12,687,513
Payments in Lieu of Taxes	40,000	0
Proceeds from Sale of Capital Assets	5,798	0
Investment Earnings	27,367	37,936
Miscellaneous	285,884	177,242
<i>Total General Receipts</i>	<u>19,937,339</u>	<u>20,208,186</u>
<i>Total Receipts</i>	<u>23,677,202</u>	<u>25,058,542</u>
Program Disbursements		
Instruction:		
Regular	11,124,901	11,049,614
Special	2,612,126	2,363,594
Vocational	202,586	390,095
Adult/Continuing	77,656	98,598
Student Intervention Services	0	27,747
Other	49,115	40,057
Support Services:		
Pupils	1,102,108	1,173,036
Instructional Staff	2,035,805	2,828,541
Board of Education	39,451	41,957
Administration	1,740,765	1,764,619
Fiscal	718,744	975,611
Business	95,415	100,522
Operation and Maintenance of Plant	2,248,941	2,180,140
Pupil Transportation	896,867	607,575
Central	67,468	69,959
Operation of Non-Instructional Services:		
Food Service Operations	954,855	1,060,096
Other	272,941	383,431
Extracurricular Activities	469,738	458,917
Capital Outlay	594,513	756,631
Debt Service:		
Principal Retirement	94,310	110,148
Interest and Fiscal Charges	753,620	743,972
<i>Total Program Disbursements</i>	<u>26,151,925</u>	<u>27,224,860</u>
<i>Change in Net Position</i>	(2,474,723)	(2,166,318)
<i>Net Position Beginning of Year</i>	<u>5,866,566</u>	<u>8,032,884</u>
<i>Net Position End of Year</i>	<u>\$ 3,391,843</u>	<u>\$ 5,866,566</u>

Fostoria City School District
Seneca County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Net position of the District's governmental activities decreased \$2,474,723. The main cause for this decrease is due to decrease in operating grants, property taxes, and grants and entitlements not restricted to specific programs. Operating grants, contributions and interest decreased by 24.80% due to the expiration of Federal stimulus grants. There was a significant decrease in instructional staff expenditures during fiscal year 2013 due to a reduction in staff.

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities –Cash Basis

	Total Costs of Services		Net Costs of Services	
	2013	2012	2013	2012
<i>Program Disbursements</i>				
Instruction:				
Regular	\$ 11,124,901	\$ 11,049,614	\$ 10,317,052	\$ 9,783,308
Special	2,612,126	2,363,594	2,345,604	2,059,076
Vocational	202,586	390,095	202,586	390,095
Adult/Continuing	77,656	98,598	(41,855)	(37,917)
Student Intervention Services	0	27,747	0	0
Other	49,115	40,057	7,912	(9,944)
Support Services:				
Pupils	1,102,108	1,173,036	965,298	1,034,271
Instructional Staff	2,035,805	2,828,541	1,220,981	1,496,459
Board of Education	39,451	41,957	39,451	41,957
Administration	1,740,765	1,764,619	1,675,607	1,711,774
Fiscal	718,744	975,611	718,744	975,611
Business	95,415	100,522	90,222	46,615
Operation and Maintenance of Plant	2,248,941	2,180,140	2,221,262	2,132,646
Pupil Transportation	896,867	607,575	873,776	565,424
Central	67,468	69,959	67,468	(3,651)
Operation of Non-Instructional Services:				
Food Service Operations	954,855	1,060,096	(54,738)	71,370
Other	272,941	383,431	(21,626)	178,796
Extracurricular Activities	469,738	458,917	343,006	332,832
Capital Outlay	594,513	756,631	593,382	751,662
Debt Service:				
Principal Retirement	94,310	110,148	94,310	110,148
Interest and Fiscal Charges	753,620	743,972	753,620	743,972
Total	\$ 26,151,925	\$ 27,224,860	\$ 22,412,062	\$ 22,374,504

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 14.30 percent of all governmental expenses. The community is the largest area of support for the District students.

Fostoria City School District
Seneca County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund balance of \$3,391,843, which is lower than the prior year balance of \$5,866,566.

The general fund had total cash receipts, including other financing sources, of \$19,411,984. The cash disbursements, including other financing uses, of the general fund totaled \$21,417,530. The general fund's fund balance decreased \$2,005,546 in fiscal year 2013. The decrease in fund balance can be attributed to increasing costs exceeding lower overall receipts.

The bond retirement fund had total cash receipts, including other financing sources, of \$832,022 and total cash disbursements of \$858,365, for a decrease in fund balance of \$26,343 in fiscal year 2013. The decrease in fund balance is primarily due to a decrease in transfers available from the general fund during fiscal year 2013.

The permanent improvement fund had total cash receipts of \$261,478 and total cash disbursements of \$558,584, for a decrease in fund balance of \$297,106 in fiscal year 2013. The decrease in fund balance is primarily due to an increase in capital outlay disbursements.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the District amended its general fund budget several times. For the general fund, final budget basis receipts and other financing sources were \$20,456,279, representing an increase of \$167,270 from the original estimate of \$20,289,009. Actual receipts and other financing sources of \$19,352,134 were \$1,104,145 less than the final budget. Of this decrease, most was attributable to a decrease in property and other local taxes.

For fiscal year 2013, the general fund final budget basis disbursements and other financing uses were \$23,269,951, which is less than the original budgeted disbursements and other financing uses of \$23,399,748. Actual disbursements and other financing uses of \$21,513,493 were \$1,756,458 lower than the final budget. This was due to the District trying to reduce spending and not replacing personnel that had left the District.

Fostoria City School District
Seneca County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2013 and 2012.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2013	2012
Current Interest Bonds	\$ 2,190,000	\$ 2,190,000
Capital Appreciation Bonds	81,227	175,537
QZAB	1,238,000	1,238,000
<i>Total</i>	\$ 3,509,227	\$ 3,603,537

For further information regarding the District's debt, refer to Note 7 of the basic financial statements.

Current Issues

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

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

The district’s five year forecast was for 2012-13 school year and beyond was based on the Seneca County Auditor’s estimates. These were roughly 1.4 million dollars higher than what was actually received. The auditor then sent us new numbers for 2013-14 that are predicting even less than 2012-13 school year. We have made several cuts to our budget in terms of not replacing personnel that have left the district, reducing our building budgets, and reducing expenses wherever possible.

Fostoria City School District
Seneca County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Our costs continue to rise due to needing to provide more services to our special needs students. We have a relatively high percentage of students on IEP's. We also do not have a high collection of student fees which are very low in comparison to other districts. Insurance rates continue to rise and all of these fees for health care reform are adding up.

The biggest problem with our budget is dealing with open enrollment. We have a projected 360 students leaving our district this year (2013-14). This is around 2 million dollars going to other schools and hurting us even more. We continue to look for ways to encourage students to come back to our schools but once they have established themselves in other districts it is tough to get them back.

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 any questions about this report or need additional financial information, contact Norm Elkhart, Treasurer of Fostoria City School District, 1001 Park Avenue, Fostoria, Ohio 44830-1455.

Fostoria City School District
Seneca County, Ohio
Statement of Net Position - Cash Basis
June 30, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 2,547,616
Cash and Investments with Escrow Agents	844,227
<i>Total Assets</i>	\$ 3,391,843
Net Position	
Restricted for:	
Capital Outlay	\$ 806,251
Debt Service	857,188
Other Purposes	148,405
State Funded Programs	50,411
Federally Funded Programs	171,883
Unrestricted	1,357,705
<i>Total Net Position</i>	\$ 3,391,843

See accompanying notes to the basic financial statements.

Fostoria City School District
Seneca County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2013

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 11,124,901	\$ 281,774	\$ 526,075	\$ 0	\$ (10,317,052)
Special	2,612,126	16,161	250,361	0	(2,345,604)
Vocational	202,586	0	0	0	(202,586)
Adult/Continuing	77,656	0	119,511	0	41,855
Other	49,115	0	41,203	0	(7,912)
Support Services:					
Pupils	1,102,108	0	136,810	0	(965,298)
Instructional Staff	2,035,805	0	814,824	0	(1,220,981)
Board of Education	39,451	0	0	0	(39,451)
Administration	1,740,765	17,842	47,316	0	(1,675,607)
Fiscal	718,744	0	0	0	(718,744)
Business	95,415	0	5,193	0	(90,222)
Operation and Maintenance of Plant	2,248,941	0	27,679	0	(2,221,262)
Pupil Transportation	896,867	0	23,091	0	(873,776)
Central	67,468	0	0	0	(67,468)
Operation of Non-Instructional Services:					
Food Service Operations	954,855	182,893	826,700	0	54,738
Other	272,941	0	294,567	0	21,626
Extracurricular Activities	469,738	122,998	3,734	0	(343,006)
Capital Outlay	594,513	0	0	1,131	(593,382)
Debt Service:					
Principal Retirement	94,310	0	0	0	(94,310)
Interest and Fiscal Charges	753,620	0	0	0	(753,620)
Totals	\$ 26,151,925	\$ 621,668	\$ 3,117,064	\$ 1,131	(22,412,062)
 General Receipts					
Property Taxes Levied for:					
General Purposes					6,307,930
Debt Service					490,245
Capital Outlay					184,714
Grants and Entitlements not Restricted to Specific Programs					12,595,401
Payments in Lieu of Taxes					40,000
Proceeds from Sale of Capital Assets					5,798
Investment Earnings					27,367
Miscellaneous					285,884
<i>Total General Receipts</i>					<u>19,937,339</u>
<i>Change in Net Position</i>					(2,474,723)
<i>Net Position Beginning of Year</i>					<u>5,866,566</u>
<i>Net Position End of Year</i>					<u>\$ 3,391,843</u>

See accompanying notes to the basic financial statements.

Fostoria City School District
Seneca County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2013

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 1,357,701	\$ 12,961	\$ 787,468	\$ 389,486	\$ 2,547,616
Cash and Investments with Escrow Agents	<u>0</u>	<u>844,227</u>	<u>0</u>	<u>0</u>	<u>844,227</u>
<i>Total Assets</i>	<u><u>\$ 1,357,701</u></u>	<u><u>\$ 857,188</u></u>	<u><u>\$ 787,468</u></u>	<u><u>\$ 389,486</u></u>	<u><u>\$ 3,391,843</u></u>
Fund Balances					
Restricted	\$ 0	\$ 857,188	\$ 787,468	\$ 389,486	\$ 2,034,142
Committed	217,080	0	0	0	217,080
Assigned	185,580	0	0	0	185,580
Unassigned	<u>955,041</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>955,041</u>
<i>Total Fund Balances</i>	<u><u>\$ 1,357,701</u></u>	<u><u>\$ 857,188</u></u>	<u><u>\$ 787,468</u></u>	<u><u>\$ 389,486</u></u>	<u><u>\$ 3,391,843</u></u>

See accompanying notes to the basic financial statements.

Fostoria City School District
Seneca County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 6,307,930	\$ 490,245	\$ 184,714	\$ 0	\$ 6,982,889
Intergovernmental	12,368,114	212,001	75,633	3,046,795	15,702,543
Investment Income	14,204	13,163	1,131	0	28,498
Tuition and Fees	280,800	0	0	0	280,800
Extracurricular Activities	17,842	0	0	122,998	140,840
Gifts and Donations	6,188	0	0	3,734	9,922
Charges for Services	8,063	0	0	182,893	190,956
Payments in Lieu of Taxes	40,000	0	0	0	40,000
Rent	9,072	0	0	0	9,072
Miscellaneous	273,949	0	0	11,935	285,884
<i>Total Receipts</i>	<u>19,326,162</u>	<u>715,409</u>	<u>261,478</u>	<u>3,368,355</u>	<u>23,671,404</u>
Disbursements					
Current:					
Instruction:					
Regular	10,596,241	0	0	528,660	11,124,901
Special	2,367,987	0	0	244,139	2,612,126
Vocational	202,586	0	0	0	202,586
Adult/Continuing	19,336	0	0	58,320	77,656
Other	0	0	0	49,115	49,115
Support Services:					
Pupils	958,661	0	0	143,447	1,102,108
Instructional Staff	1,140,148	0	0	895,657	2,035,805
Board of Education	39,451	0	0	0	39,451
Administration	1,693,917	0	0	46,848	1,740,765
Fiscal	704,456	10,435	3,853	0	718,744
Business	89,225	0	0	6,190	95,415
Operation and Maintenance of Plant	2,166,156	0	0	82,785	2,248,941
Pupil Transportation	869,343	0	0	27,524	896,867
Central	67,468	0	0	0	67,468
Extracurricular Activities	332,697	0	0	137,041	469,738
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	954,855	954,855
Other	22,629	0	0	250,312	272,941
Capital Outlay	25,057	0	554,731	14,725	594,513
Debt Service:					
Principal Retirement	0	94,310	0	0	94,310
Interest and Fiscal Charges	0	753,620	0	0	753,620
<i>Total Disbursements</i>	<u>21,295,358</u>	<u>858,365</u>	<u>558,584</u>	<u>3,439,618</u>	<u>26,151,925</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,969,196)</u>	<u>(142,956)</u>	<u>(297,106)</u>	<u>(71,263)</u>	<u>(2,480,521)</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	5,798	0	0	0	5,798
Advances In	80,024	0	0	5,559	85,583
Advances Out	(5,559)	0	0	(80,024)	(85,583)
Transfers In	0	116,613	0	0	116,613
Transfers Out	(116,613)	0	0	0	(116,613)
<i>Total Other Financing Sources (Uses)</i>	<u>(36,350)</u>	<u>116,613</u>	<u>0</u>	<u>(74,465)</u>	<u>5,798</u>
<i>Net Change in Fund Balances</i>	<u>(2,005,546)</u>	<u>(26,343)</u>	<u>(297,106)</u>	<u>(145,728)</u>	<u>(2,474,723)</u>
<i>Fund Balances Beginning of Year</i>	<u>3,363,247</u>	<u>883,531</u>	<u>1,084,574</u>	<u>535,214</u>	<u>5,866,566</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,357,701</u>	<u>\$ 857,188</u>	<u>\$ 787,468</u>	<u>\$ 389,486</u>	<u>\$ 3,391,843</u>

See accompanying notes to the basic financial statements.

Fostoria City School District
Seneca County, Ohio
Statement of Receipts, Disbursements and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 7,552,115	\$ 7,773,633	\$ 6,307,930	\$ (1,465,703)
Intergovernmental	11,999,330	12,098,833	12,368,114	269,281
Investment Income	23,994	20,000	14,204	(5,796)
Tuition and Fees	314,324	296,690	280,800	(15,890)
Gifts and Donations	0	0	1,429	1,429
Charges for Services	8,354	8,200	8,063	(137)
Payments in Lieu of Taxes	40,000	40,000	40,000	0
Rent	3,000	3,000	9,072	6,072
Miscellaneous	68,892	68,600	79,953	11,353
<i>Total Receipts</i>	<u>20,010,009</u>	<u>20,308,956</u>	<u>19,109,565</u>	<u>(1,199,391)</u>
Disbursements				
Current:				
Instruction:				
Regular	11,272,278	11,252,535	10,599,230	653,305
Special	2,131,476	2,484,259	2,403,364	80,895
Vocational	388,147	222,156	215,210	6,946
Adult/Continuing	19,323	19,990	19,336	654
Support Services:				
Pupils	1,095,185	1,084,347	963,214	121,133
Instructional Staff	1,539,935	1,334,697	1,154,089	180,608
Board of Education	48,612	49,125	39,451	9,674
Administration	1,704,971	1,734,049	1,640,987	93,062
Fiscal	1,014,038	845,095	708,362	136,733
Business	287,278	106,307	89,225	17,082
Operation and Maintenance of Plant	2,222,218	2,432,085	2,220,708	211,377
Pupil Transportation	669,869	928,269	887,519	40,750
Central	49,516	67,630	67,468	162
Extracurricular Activities	334,712	356,430	334,777	21,653
Operation of Non-Instructional Services:				
Food Service Operations	7,284	7,600	7,477	123
Community Services	20,934	20,934	15,152	5,782
Capital Outlay	70,516	29,939	25,057	4,882
<i>Total Disbursements</i>	<u>22,876,292</u>	<u>22,975,447</u>	<u>21,390,626</u>	<u>1,584,821</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,866,283)</u>	<u>(2,666,491)</u>	<u>(2,281,061)</u>	<u>385,430</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,500	3,600	5,798	2,198
Refund of Prior Year Expenditures	0	200	143,218	143,018
Refund of Prior Year Receipts	(1,000)	(1,000)	(695)	305
Insurance Recoveries	2,500	13,500	13,529	29
Advances In	75,000	80,023	80,024	1
Advances Out	(100,000)	(66,891)	(5,559)	61,332
Transfers In	200,000	50,000	0	(50,000)
Transfers Out	(422,456)	(226,613)	(116,613)	110,000
<i>Total Other Financing Sources (Uses)</i>	<u>(244,456)</u>	<u>(147,181)</u>	<u>119,702</u>	<u>266,883</u>
<i>Net Change in Fund Balance</i>	(3,110,739)	(2,813,672)	(2,161,359)	652,313
<i>Fund Balance Beginning of Year</i>	2,596,293	2,596,293	2,596,293	0
Prior Year Encumbrances Appropriated	736,947	736,947	736,947	0
<i>Fund Balance End of Year</i>	<u>\$ 222,501</u>	<u>\$ 519,568</u>	<u>\$ 1,171,881</u>	<u>\$ 652,313</u>

See accompanying notes to the basic financial statements.

Fostoria City School District
Seneca County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 92,317	\$ 28,390
Cash and Cash Equivalents in Segregated Accounts	0	5,837
<i>Total Assets</i>	\$ 92,317	\$ 34,227
Liabilities		
Due to Students		\$ 37,227
Net Position		
Held in Trust for Scholarships	\$ 92,317	
<i>Total Net Position</i>	\$ 92,317	

See accompanying notes to the basic financial statements.

Fostoria City School District
Seneca County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2013

	Scholarship
Additions	
Gifts and Contributions	\$ 14,194
Interest	15
	14,209
<i>Total Additions</i>	<i>14,209</i>
 Deductions	
Payments in Accordance with Trust Agreements	6,600
<i>Change in Net Position</i>	<i>7,609</i>
<i>Net Position Beginning of Year</i>	<i>84,708</i>
<i>Net Position End of Year</i>	<i>\$ 92,317</i>

See accompanying notes to the basic financial statements.

**Fostoria City School District
Seneca County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

NOTE 1 - REPORTING ENTITY

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

The District was established in 1856 through the consolidation of existing land areas and Districts. The District serves an area of approximately 22 square miles. It is located in Seneca County, but also encompasses portions of Hancock and Wood Counties and includes all of the City of Fostoria. The District is the 293rd largest in the State of Ohio (among 609 public and community Districts) in terms of enrollment. It is staffed by non-certified employees and certified full-time teaching personnel who provide services to students and other community members. The District currently operates four campuses, one administrative building, and three garages.

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

A. Primary Government

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

B. Component Units

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

**Fostoria City School District
Seneca County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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:

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 Districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The NOECA Board of Directors consists of two representatives from each county in which participating Districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. The District paid \$44,760 to NOECA during the fiscal year. Financial information can be obtained from Betty Rando, who serves as Director, 219 Howard Drive, Sandusky, Ohio 44870.

Vanguard-Sentinel Career and Technology Centers

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

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six Districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating District. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. The District paid \$61,653 to BACG during the fiscal year. Financial information is available from the North Point Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

**Fostoria City School District
Seneca County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

State Support Team Region 1

The State Support Team Region 1 (“SST1”) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SST1 is governed by a board made up of members of the participating entities. The degree of control exercised by any participating District is limited to its representation on the Board. Financial information can be obtained by contacting Lynn McKahan, Director, at 2275 Collingwood Boulevard, Suite C, Toledo, Ohio 43620.

PUBLIC ENTITY RISK POOLS

Ohio School Plan

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.A, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District’s accounting policies.

A. Basis of Accounting

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

Fostoria City School District
Seneca County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

B. Fund Accounting

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

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

GOVERNMENTAL FUNDS

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

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

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

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

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

**Fostoria City School District
Seneca County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

FIDUCIARY FUNDS

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

C. Basis of Presentation

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

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

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

- a. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.
- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Fostoria City School District
Seneca County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

- d. Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

D. Budgetary Process

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

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

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

Fostoria City School District
Seneca County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

E. Cash and Investments

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

The District also maintains a separate account that only includes monies for the employees flex spending account, which is included on the balance sheet as "cash and cash equivalents in segregated accounts."

During fiscal year 2013, investments were limited to State Treasury Asset Reserve of Ohio (STAROhio), federal agency securities and money market fund. Investments are reported at cost.

The District has invested funds in the STAROhio during fiscal year 2013. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's shares price which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$14,204, which includes \$3,378 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.

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.

**Fostoria City School District
Seneca County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

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

L. Net Positions

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

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

M. Interfund Activity

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

N. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and sales, operating grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the District's programs and services, including instruction, support services, extracurricular activities and food service operations.

Fostoria City School District
Seneca County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING POLICIES

For the fiscal year ended June 30, 2013, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,” GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” and GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

A. Cash on Hand

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

B. Cash with Escrow Agent

At fiscal year end the District had \$844,227, in cash with escrow agent to accumulate the required sinking fund deposits for the retirement of the Qualified Zone Academy Bonds (See Note 7.C for detail). This amount is included on the financial statements as “cash with escrow agent” and is included in investments below.

C. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$110,498. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$55,490 of the District’s bank balance of \$402,891 was exposed to custodial risk as discussed below, while \$347,401 was covered by the FDIC.

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

D. Investments

As of June 30, 2013, the District had the following investments and maturities:

	Security Rating	Cost	% of Investment		
			Total	0-1 Year	1-5 Year
Federal Home Loan Mortgage Corporation	AA+	\$ 844,227	24.78%	\$ 844,227	\$ 0
Federal Home Loan Bank	AA+	344,806	10.12%	344,806	0
Federal National Mortgage Association	AA+	592,788	17.39%	349,006	243,782
STAROhio	AAAm	1,102,200	32.34%	1,102,200	0
Money Market Fund	Aaa	4,375	0.13%	4,375	0
Federal Farm Credit Corporation	AA+	374,491	10.99%	374,491	0
Federal Home Loan Mortgage Discount Note	A-1+	144,927	4.25%	144,927	0
		<u>\$ 3,407,814</u>	<u>100.00%</u>	<u>\$ 3,164,032</u>	<u>\$ 243,782</u>

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Interest Rate Risk: Interest rate risk arises potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2013, is 58 days and carries a rating of AAAM by Standard and Poor's.

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

Concentration of Credit Risk: The District policy limits investment in any one financial institution to 25 percent; however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. More than 5 percent of the District's investments are in securities as listed in the chart above.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers and advances for the fiscal year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 116,613
Bond Retirement	116,613	0
	<u>\$ 116,613</u>	<u>\$ 116,613</u>
	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ 80,024	\$ 5,559
Other Governmental Funds:		
Adult Basic Education	171	8,603
Title I School Improvement	417	71,421
21st Century Grant	4,971	0
Total Governmental	<u>\$ 85,583</u>	<u>\$ 85,583</u>

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Advances were made to use unrestricted receipts collected in the general fund to finance debt and various programs accounted for in other funds in accordance with budgetary authorizations. In addition, repayments of prior year advances were made to the general fund from various other governmental funds. As of June 30, 2013, \$5,559 of advances is outstanding.

During fiscal year 2013, the General Fund transferred \$116,613 to the Bond Retirement Fund to be used for debt service payments.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. 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 revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The District receives property taxes from Seneca, Hancock and Wood Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second-Half		2013 First-Half	
	Collections		Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 124,224,300	71.17%	\$ 123,877,200	70.95%
Commercial/Industrial Public Utility	50,322,420	28.83%	50,715,510	29.05%
Total	<u>\$ 174,546,720</u>	<u>100.00%</u>	<u>\$ 174,592,710</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 63.38		\$ 63.38	

NOTE 7 – LONG-TERM OBLIGATIONS

A. During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

		Balance			Balance		Due
		June 30, 2012	Additions		Reductions	June 30, 2013	
General Obligation Bonds							
Middle School Refinancing							
Current Interest Bonds	3.2-4.7%	\$ 2,190,000	\$ 0	\$ 0	\$ 2,190,000	\$ 0	\$ 0
Capital Appreciation Bonds	4.55-4.75%	175,537	0	94,310	81,227	81,227	81,227
Accretion		1,106,931	152,721	650,690	608,962	663,773	663,773
QZAB	0.50%	1,238,000	0	0	1,238,000	0	0
Total General Debt Obligations		<u>\$ 4,710,468</u>	<u>\$ 152,721</u>	<u>\$ 745,000</u>	<u>\$ 4,118,189</u>	<u>\$ 745,000</u>	<u>\$ 745,000</u>

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

This issue is comprised of both current interest bonds, par value \$8,610,000, and capital appreciation bonds, par value \$413,505. The interest rates on the current interest bonds range from 3.20% to 4.70%. The capital appreciation bonds mature on December 1, 2010 (effective interest 4.55%), December 1, 2011 (effective interest 4.60%), December 1, 2012 (effective interest 4.70%) and December 1, 2013 (effective interest 4.75%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for each capital appreciation bond is \$745,000. The District has a total of \$608,962 in accreted interest on the capital appreciation bonds as of June 30, 2013.

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

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

Fiscal Year	Current Interest Bonds	Capital Appreciation Bonds	Interest/ Accretion	Total
2014	\$ 0	\$ 81,227	\$ 766,703	\$ 847,930
2015	735,000	0	85,657	820,657
2016	770,000	0	50,290	820,290
2017	685,000	0	16,098	701,098
	<u>\$ 2,190,000</u>	<u>\$ 81,227</u>	<u>\$ 918,748</u>	<u>\$ 3,189,975</u>

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

September 23 of the year	<u>Amounts Due</u>	<u>Amounts Deposited</u>
2006	\$ 110,423	\$ 110,423
2007	110,423	110,423
2008	110,423	110,423
2009	110,423	110,423
2010	110,423	110,423
2011	110,423	110,423
2012	110,423	110,423
2013	110,423	0
2014	110,423	0
	<u>\$ 993,807</u>	<u>\$ 772,961</u>

The QZAB Series 2005 bonds required stated annual interest payments. During fiscal year 2013, the District made \$110,423 in sinking fund deposits. The resources, being accumulated through the sinking fund, are reported in the bond retirement fund. The required sinking fund deposits are expected to be sufficient to retire the QZAB Series 2005 bonds upon maturity.

The District's overall debt margin was \$13,061,305 with an unvoted debt margin of \$174,593 at June 30, 2013.

NOTE 8 – RISK MANAGEMENT

A. Ohio School Plan

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

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

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

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amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$ 5,351,369	\$ 4,280,876
Liabilities	2,734,952	1,812,420
Net Position	<u>\$ 2,616,417</u>	<u>\$ 2,468,456</u>

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

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

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

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

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

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

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

The District has elected to provide a comprehensive medical benefits package to the employees through a fully insured program. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible. Medical Mutual Insurance Company administers the medical plan. The total monthly premium for medical is \$703.35 for single coverage and \$1,536.11 for family coverage. The District's portion of the monthly premium is \$597.85 for single coverage and \$1,305.69 for family coverage, which is paid out of the same fund that pays the salary for the employees. The employee monthly portion of the premium is \$105.50 for single coverage and \$230.42 for family coverage, which is withheld from their biweekly payroll.

Effective January 1, 2006, the Board had another medical plan referred to as the "Core Plan" available for employees to choose for a slightly lower premium. The Core Plan allows for a \$200 single and \$400 family deductible in network and a \$400 single and \$800 family out of network deductible. This medical plan was also carried by Medical Mutual Insurance Company. The total monthly premiums for medical are \$640.80 for single coverage and \$1,399.46 for family coverage. The District's portion of the monthly premium is \$544.68 for single coverage and \$1,184.54 for family coverage, which is paid for out of the same fund that pays the salary of the employee. The employee portion for

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the Core Plan is \$96.12 for single coverage and \$209.92 for family coverage, which is withheld from their biweekly payroll.

The District provides dental coverage for its employees on a fully insured basis through Core Source. The total monthly premium is \$82.94 for single and \$82.94 for family coverage. This premium includes the employee portion, which is paid by the District. Teachers pay \$8.00 and principals pay \$8.29 per month of the \$82.94.

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

C. Workers' Compensation

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

NOTE 9: PENSION PLANS

A. School Employees Retirement System

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

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 rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum 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 Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$356,620, \$359,288 and \$383,499, respectively; 52 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

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B. State Teachers Retirement System

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 publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

A DB or Combined Plan member with five or more years of 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 dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy - For fiscal year 2013, 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 employer contributions. 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, 2013, 2012 and 2011 were \$1,143,537, \$1,123,676 and \$1,323,663, respectively; 86 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2012 (the latest available) were \$20,655 made by the District and \$14,753 made by the plan members.

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C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 10: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan 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 Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 (the latest information available) was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. 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 SERS' website at www.ohsers.org under Employers/Audit Resources.

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 2013, .16 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 2013, the actuarially determined amount was \$20,525.

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Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$4,356, \$17,041, and \$13,804, respectively; 52 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$20,145, \$21,302, and \$22,806, respectively; 52 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (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 2013, 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, 2013, 2012, and 2011 were \$87,964, \$86,437, and \$101,820, respectively; 86 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 11 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

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Seneca County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the basic financial statements.

NOTE 12 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, for the acquisition and construction of capital improvements. This reserve is calculated and presented on a cash basis. During the fiscal year ended June 30, 2013, the reserve activity was as follows:

	<u>Capital Acquisition</u>
Set Aside Reserve Balance June 30, 2012	\$ 0
Current Year Set Aside Requirement	301,258
Current Year Qualifying Disbursements	<u>(301,258)</u>
Set Aside Reserve Balance June 30, 2013	<u><u>\$ 0</u></u>

The District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside. This extra amount may not be carried forward.

NOTE 13 – FUND BALANCE

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

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

**Fostoria City School District
Seneca County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:					
Permanent Improvements	\$ 0	\$ 0	\$ 787,468	\$ 18,783	\$ 806,251
Debt Retirement	0	857,188	0	0	857,188
Food Service Purchases	0	0	0	104,743	104,743
Extracurricular Activities	0	0	0	18,198	18,198
Learning Opportunities	0	0	0	31,292	31,292
Non-Public Schools	0	0	0	47,076	47,076
Professional Development	0	0	0	516	516
Special Instruction	0	0	0	85,578	85,578
Improving Teacher Quality	0	0	0	68,606	68,606
Technology Improvements	0	0	0	14,515	14,515
Other Purposes	0	0	0	179	179
Total Restricted	<u>0</u>	<u>857,188</u>	<u>787,468</u>	<u>389,486</u>	<u>2,034,142</u>
Committed for:					
Instructional Materials	<u>217,080</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>217,080</u>
Assigned for:					
Unpaid Obligations	152,831	0	0	0	152,831
Educational Activities	<u>32,749</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,749</u>
Total Assigned	<u>185,580</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>185,580</u>
Unassigned	<u>955,041</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>955,041</u>
Total Fund Balances	<u>\$ 1,357,701</u>	<u>\$ 857,188</u>	<u>\$ 787,468</u>	<u>\$ 389,486</u>	<u>\$ 3,391,843</u>

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**Fostoria City School District
Seneca County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

NOTE 14 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

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

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

Net Change in Fund Balance	
	General Fund
Cash Basis	\$ (2,005,546)
Funds budgeted elsewhere**	(2,744)
Adjustments for encumbrances	(153,069)
Budget Basis	\$ (2,161,359)

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

NOTE 15 – COMPLIANCE

Ohio Administrative Code § 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/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.

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**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Child and Adult Care Food Program	10.558	\$20,489	\$20,489
<u>Child Nutrition Cluster:</u>			
National School Lunch Program			
Non-Cash Assistance (Commodities)		53,828	53,828
Cash Assistance		586,069	586,069
Total National School Lunch Program	10.555	<u>639,897</u>	<u>639,897</u>
Summer Food Service Program for Children	10.559	13,692	13,692
School Breakfast Program	10.553	<u>190,505</u>	<u>190,505</u>
Total Child Nutrition Cluster		<u>844,094</u>	<u>844,094</u>
Total U.S. Department of Agriculture		<u>864,583</u>	<u>864,583</u>
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	843,642	920,491
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	495,786	550,986
Special Education - Preschool Grants	84.173	<u>32,164</u>	<u>41,131</u>
Total Special Education Cluster		527,950	592,117
Safe and Drug Free Schools and Communities - State Grants	84.186	49,792	49,792
Education for Homeless Children and Youth	84.196	30,479	23,611
Twenty-First Century Community Learning Centers	84.287	134,708	166,907
Improving Teacher Quality State Grants	84.367	154,921	110,214
English Language Acquisition Grants	84.365	(701)	
Rural and Low Income School Program	84.358	32,994	32,994
Adult Education - State Grant Program	84.002	94,178	94,178
ARRA - Race to the Top - Federal Stimulus	84.395	<u>1,750</u>	<u>1,750</u>
Total U.S. Department of Education		<u>1,869,713</u>	<u>1,992,054</u>
Total Federal Awards Receipts and Expenditures		<u>\$2,734,296</u>	<u>\$2,856,637</u>

The accompanying notes are an integral part of this Schedule.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – MATCHING REQUIREMENTS

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fostoria City School District, Seneca County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 16, 2014, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2013-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

The District's response to the findings 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

Columbus, Ohio

January 16, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Fostoria City School District's, Seneca County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Fostoria City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

January 16, 2014

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<u>Child Nutrition Cluster:</u> School Breakfast Program CFDA #10.553 National School Lunch Program CFDA #10.555 Summer Food Service Program for Children CFDA #10.559 <u>Special Education Cluster:</u> Special Education – Grants to States CFDA #84.027 Special Education – Preschool Grants CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Noncompliance

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

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

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

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

FINDING NUMBER 2013-002

Material Weakness

Financial Reporting

The District's management is responsible for the fair presentation of the financial statements. Material errors were noted in the budget and actual financial statement which required audit adjustments.

The original budgeted disbursement amounts were understated by \$736,946, and the final budgeted disbursement amounts were understated by \$713,735.

The accompanying financial statements have been adjusted to correct these errors.

To ensure the District's financial statements and notes to the statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the annual report by the audit committee to identify and correct errors and omissions.

Officials' Response:

The material weakness on financial reporting was overlooked by REA & Associates, Inc. and they have assured the District they will have training on this and this error will not occur next year.

3. FINDINGS FOR FEDERAL AWARDS

None

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Administrative Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	No	Not corrected. Repeated in this report as finding 2013-001
2012-002	Material weakness in financial reporting due to adjustments made to financial statements.	No	Not corrected. Repeated in this report as finding 2013-002.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on May 21, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

January 16, 2014

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Dave Yost • Auditor of State

FOSTORIA CITY SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2014**