



Dave Yost • Auditor of State

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Statement of Net Position – Cash Basis	11
Statement of Activities – Cash Basis	12
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	13
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	14
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	15
Statement of Fund Net Position – Cash Basis – Internal Service Fund	16
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Net Position – Cash Basis – Internal Service Funds	17
Statement of Net Position – Cash Basis – Agency Fund.....	18
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Receipts and Expenditures.....	43
Notes to the Schedule of Federal Awards Receipts and Expenditures	44
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
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	47
Schedule of Findings – OMB Circular A-133 § .505.....	49
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b).....	51

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Fort Frye Local School District
Washington County
500 Fifth Street
Beverly, Ohio 45715

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Frye Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School 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 Fort Frye Local School District, Washington County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the respective 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 School 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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) 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 financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion and Analysis as listed in the Table of Contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School 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, looped "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 9, 2016

This page intentionally left blank.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of the Fort Frye Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2015 are as follows:

- Net position of governmental activities increased \$135,620. Restricted net position decreased \$689,765. Unrestricted net position increased \$825,385.
- General receipts amounted to \$9,121,326 or 74% of all receipts. Program specific cash receipts in the form of charges for services and sales, operating grants, contributions, and interest accounted for \$3,163,416 or 26% of total receipts of \$12,284,742.
- The School District had \$12,149,122 in disbursements related to governmental activities; only \$3,163,416 of these disbursements were offset by program specific charges for services and sales, grants, contributions, and interest. General receipts of \$9,121,326 were adequate to provide for these programs.
- The School District's major funds were the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund's balance increased \$794,480. The Permanent Improvement Fund's balance decreased \$795,841.

Using this Annual Financial Report

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

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

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Reporting the School District as a Whole

Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis answer this question. These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis, all of the School District's programs and services are reported as governmental activities including food service operations, instruction, support services, operation of non-instructional services, capital outlay, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

Governmental Funds Most of the School 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 fiscal year end available for spending in future periods. These funds are reported on a cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

The School District as a Whole

Recall that the Statement of Net Position – Cash Basis provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

Table 1
 Net Position - Cash Basis

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$7,748,510</u>	<u>\$7,612,890</u>	<u>\$135,620</u>
Net Position			
Restricted	\$2,269,451	\$2,959,216	(\$689,765)
Unrestricted	<u>5,479,059</u>	<u>4,653,674</u>	<u>825,385</u>
Total Net Position	<u>\$7,748,510</u>	<u>\$7,612,890</u>	<u>\$135,620</u>

The above table reflects an increase in net position of \$135,620. The predominant factor for the increase in net position is due to an increase in program revenues of \$836,850. This increase was offset by a decrease in property taxes of \$430,209.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015, compared to fiscal year ended June 30, 2014.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

Table 2
 Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Receipts			
Program Receipts:			
Charges for Services and Sales	\$999,317	\$850,232	\$149,085
Operating Grants, Contributions and Interest	2,079,559	1,476,334	603,225
Capital Contributions	84,540	0	84,540
Total Program Receipts	<u>3,163,416</u>	<u>2,326,566</u>	<u>836,850</u>
General Receipts:			
Property Taxes	4,870,113	5,300,322	(430,209)
Grants and Entitlements	4,186,324	4,334,439	(148,115)
Investment Earnings	31,678	23,664	8,014
Receipts from Sale of Capital Assets	5,839	3,341	2,498
Miscellaneous	27,372	17,594	9,778
Total General Receipts	<u>9,121,326</u>	<u>9,679,360</u>	<u>(558,034)</u>
Total Receipts	<u>12,284,742</u>	<u>12,005,926</u>	<u>278,816</u>
Program Disbursements			
Instruction:			
Regular	5,004,925	4,394,642	610,283
Special	1,487,667	1,583,146	(95,479)
Vocational	201,684	182,698	18,986
Student Intervention Services	504	0	504
Support Services:			
Pupils	356,244	366,607	(10,363)
Instructional Staff	515,323	514,151	1,172
Board of Education	46,762	34,371	12,391
Administration	945,672	912,458	33,214
Fiscal	449,124	452,955	(3,831)
Operation and Maintenance of Plant	945,885	941,657	4,228
Pupil Transportation	755,366	879,772	(124,406)
Central	35,498	99,993	(64,495)
Operation of Non-Instructional Services:			
Food Service Operations	466,459	456,561	9,898
Community Services	82,512	102,185	(19,673)
Extracurricular Activities	212,675	167,827	44,848
Capital Outlay	642,822	342,386	300,436
Total Disbursements	<u>12,149,122</u>	<u>11,431,409</u>	<u>717,713</u>
Change in Net Position	135,620	574,517	(438,897)
Net Position Beginning of Year	7,612,890	7,038,373	574,517
Net Position End of Year	<u>\$7,748,510</u>	<u>\$7,612,890</u>	<u>\$135,620</u>

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 40 percent of the receipts for governmental activities for the Fort Frye Local School District in fiscal year 2015.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2015 compared to fiscal year 2014. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
 Net Cost of Services

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program Disbursements				
Instruction:				
Regular	\$5,004,925	\$3,817,553	\$4,394,542	\$3,708,504
Special	1,487,667	818,099	1,583,146	693,551
Vocational	201,684	177,675	182,698	155,363
Student Intervention Services	504	504	0	0
Support Services:				
Pupils	356,244	270,694	366,607	343,215
Instructional Staff	515,323	481,724	514,151	484,226
Board of Education	46,762	46,762	34,371	34,371
Administration	945,672	945,672	912,458	901,983
Fiscal	449,124	449,124	452,955	452,955
Operation and Maintenance of Plant	945,885	933,890	941,657	932,799
Pupil Transportation	755,366	407,202	879,772	879,772
Central	35,498	24,256	99,993	92,020
Operation of Non-Instructional Services				
Food Service	466,459	748	456,561	2,765
Community Services	82,512	(25,331)	102,185	35,256
Extracurricular Activities	212,675	(5,688)	167,827	45,677
Capital Outlay	642,822	642,822	342,386	342,386
Total	\$12,149,122	\$8,985,706	\$11,431,309	\$9,104,843

The dependence upon tax receipts and state subsidies for governmental activities is apparent. For fiscal year 2015, approximately 74% of instructional activities were supported through taxes and other general receipts.

As the table shows, the School District did not receive enough in charges for services and/or operating capital grants and contributions to support any programs, except community services, in fiscal year 2015. That is, those programs were not currently self-supporting.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The School District Funds

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$12,278,903 and disbursements of \$12,255,856. The Permanent Improvement Fund had a decrease in fund balance of \$795,841 primarily due to an expiring tax abatement agreement.

General Fund Budgeting Highlights

The School 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 2015, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis receipts were \$10,337,253, below the final estimates of \$10,601,996. This was mainly due to overestimating property taxes. Original estimates of \$10,571,834 were increased by \$30,162 due to underestimating intergovernmental receipts and extracurricular activities and overestimating tuition and fees. Final expenditures of \$9,712,790 were \$98,127 below the final appropriations of \$9,810,917. Original appropriations were increased \$402,533.

The School District's ending unobligated General Fund balance was \$4,062,138.

Current Issues

American Electric Power has closed. Starting in fiscal year 2017, the School District will begin losing public utility property taxes funding because of this. With the Permanent Improvement fund not being funded by Duke Energy now, more capital improvement projects are being funded by the General Fund. More insurance options are being offered with the goal to decrease cost for both the School District and employees.

Continued monitoring and scrutiny throughout the forecast period will be necessary as the balance between solvency and fiscal emergency can be affected by the current funding mechanism for schools, coupled with costly issues with maintaining aging buildings.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Stacy Bolden, Treasurer at Fort Frye Local School District, PO Box 1149, Beverly, Ohio 45715, or e-mail at ff_sbolden@seovec.org.

Fort Frye Local School District, Ohio

Statement of Net Position - Cash Basis

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$7,748,510</u>
Net Position	
Restricted for:	
Capital Projects	\$1,879,291
Capital Improvement Set-Aside	124,543
Unclaimed Monies	178
Food Service	158,019
Student Activities	47,012
State Programs	56,939
Federal Programs	3,469
Unrestricted	<u>5,479,059</u>
<i>Total Net Position</i>	<u>\$7,748,510</u>

See accompanying notes to the basic financial statements.

Fort Frye Local School District, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2015

	Program Cash Receipts				Net Disbursements and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Contributions	
Governmental Activities					
Instruction:					
Regular	\$5,004,925	\$676,808	\$510,564	\$0	(\$3,817,553)
Special	1,487,667	0	669,568	0	(818,099)
Vocational	201,684	0	24,009	0	(177,675)
Student Intervention Services	504	0	0	0	(504)
Support Services:					
Pupils	356,244	879	84,671	0	(270,694)
Instructional Staff	515,323	0	33,599	0	(481,724)
Board of Education	46,762	0	0	0	(46,762)
Administration	945,672	0	0	0	(945,672)
Fiscal	449,124	0	0	0	(449,124)
Operation and Maintenance of Plant	945,885	11,995	0	0	(933,890)
Pupil Transportation	755,366	0	348,164	0	(407,202)
Central	35,498	5,412	5,830	0	(24,256)
Operation of Non-Instructional Services:					
Food Service Operations	466,459	170,917	294,794	0	(748)
Community Services	82,512	0	107,843	0	25,331
Extracurricular Activities	212,675	133,306	517	84,540	5,688
Capital Outlay	642,822	0	0	0	(642,822)
<i>Totals</i>	<u>\$12,149,122</u>	<u>\$999,317</u>	<u>\$2,079,559</u>	<u>\$84,540</u>	<u>(8,985,706)</u>
General Receipts					
Property Taxes Levied for General Purposes					4,870,113
Grants and Entitlements not Restricted to Specific Programs					4,186,324
Investment Earnings					31,678
Receipts from Sale of Capital Assets					5,839
Miscellaneous					27,372
<i>Total General Receipts</i>					<u>9,121,326</u>
<i>Change in Net Position</i>					135,620
<i>Net Position Beginning of Year</i>					<u>7,612,890</u>
<i>Net Position End of Year</i>					<u><u>\$7,748,510</u></u>

See accompanying notes to the financial statements.

Fort Frye Local School District, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2015

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,994,968	\$1,879,291	\$265,439	\$6,139,698
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	124,721	0	0	124,721
<i>Total Assets</i>	<u>\$4,119,689</u>	<u>\$1,879,291</u>	<u>\$265,439</u>	<u>\$6,264,419</u>
Fund Balances				
Nonspendable	\$178	\$0	\$0	\$178
Restricted	124,543	1,879,291	265,439	2,269,273
Assigned	77,149	0	0	77,149
Unassigned	3,917,819	0	0	3,917,819
<i>Total Fund Balances</i>	<u>\$4,119,689</u>	<u>\$1,879,291</u>	<u>\$265,439</u>	<u>6,264,419</u>

Amounts reported for governmental activities in the statement of net position are different because:

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal fund are included in governmental activities in the statement of net position.

1,484,091

Net Position of Governmental Activities

\$7,748,510

See accompanying notes to the basic financial statements.

Fort Frye Local School District, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$4,870,113	\$0	\$0	\$4,870,113
Intergovernmental	4,698,131	0	1,540,452	6,238,583
Investment Earnings	31,678	0	0	31,678
Charges for Services	0	0	170,917	170,917
Tuition and Fees	665,662	0	0	665,662
Extracurricular Activities	59,460	0	91,283	150,743
Rent	11,995	0	0	11,995
Gifts and Donations	20,368	84,540	6,932	111,840
Miscellaneous	27,165	0	207	27,372
<i>Total Receipts</i>	<u>10,384,572</u>	<u>84,540</u>	<u>1,809,791</u>	<u>12,278,903</u>
Disbursements				
Current:				
Instruction:				
Regular	4,604,369	74,690	365,713	5,044,772
Special	911,420	0	590,472	1,501,892
Vocational	204,169	0	0	204,169
Student Intervention Services	504	0	0	504
Support Services:				
Pupils	361,326	0	0	361,326
Instructional Staff	471,504	0	49,644	521,148
Board of Education	46,762	0	0	46,762
Administration	958,085	0	0	958,085
Fiscal	453,804	0	0	453,804
Operation and Maintenance of Plant	955,375	0	0	955,375
Pupil Transportation	589,670	173,334	369	763,373
Central	33,693	0	1,805	35,498
Operation of Non-Instructional Services	0	0	553,651	553,651
Extracurricular Activities	107,458	0	105,217	212,675
Capital Outlay	10,465	632,357	0	642,822
<i>Total Disbursements</i>	<u>9,708,604</u>	<u>880,381</u>	<u>1,666,871</u>	<u>12,255,856</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>675,968</u>	<u>(795,841)</u>	<u>142,920</u>	<u>23,047</u>
Other Financing Sources (Uses)				
Advances In	132,271	0	19,598	151,869
Advances Out	(19,598)	0	(132,271)	(151,869)
Sale of Capital Assets	5,839	0	0	5,839
<i>Total Other Financing Sources (Uses)</i>	<u>118,512</u>	<u>0</u>	<u>(112,673)</u>	<u>5,839</u>
<i>Net Change in Fund Balance</i>	794,480	(795,841)	30,247	28,886
<i>Fund Balances Beginning of Year</i>	<u>3,325,209</u>	<u>2,675,132</u>	<u>235,192</u>	<u>6,235,533</u>
<i>Fund Balances End of Year</i>	<u>\$4,119,689</u>	<u>\$1,879,291</u>	<u>\$265,439</u>	<u>\$6,264,419</u>

Amounts reported for governmental activities in the statement of activities are different because:

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

106,734

Change in Net Position of Governmental Activities

\$135,620

Fort Frye Local School District, Ohio
*Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2015*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Taxes	\$5,336,339	\$5,336,339	\$4,870,113	(\$466,226)
Intergovernmental	4,621,448	4,666,598	4,698,131	31,533
Investment Earnings	23,682	23,682	31,678	7,996
Tuition and Fees	550,326	520,838	664,852	144,014
Extracurricular Activities	30,000	44,500	42,023	(2,477)
Rent	6,000	6,000	11,995	5,995
Gifts and Donations	900	900	12,500	11,600
Miscellaneous	3,139	3,139	5,961	2,822
<i>Total Receipts</i>	<u>10,571,834</u>	<u>10,601,996</u>	<u>10,337,253</u>	<u>(264,743)</u>
Disbursements				
Current:				
Instruction:				
Regular	4,671,817	4,949,748	4,596,234	353,514
Special	624,720	624,720	911,420	(286,700)
Vocational	203,405	205,505	204,169	1,336
Student Intervention Services	0	0	504	(504)
Support Services:				
Pupils	337,585	340,605	359,732	(19,127)
Instructional Staff	454,966	464,305	481,485	(17,180)
Board of Education	33,328	58,121	46,762	11,359
Administration	948,678	948,978	958,085	(9,107)
Fiscal	282,682	284,232	453,804	(169,572)
Operation and Maintenance of Plant	1,018,608	1,051,608	969,410	82,198
Pupil Transportation	674,824	675,324	590,158	85,166
Central	0	50,000	23,104	26,896
Extracurricular Activities	107,771	107,771	107,458	313
Capital Outlay	50,000	50,000	10,465	39,535
<i>Total Disbursements</i>	<u>9,408,384</u>	<u>9,810,917</u>	<u>9,712,790</u>	<u>98,127</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,163,450</u>	<u>791,079</u>	<u>624,463</u>	<u>(166,616)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	2,500	2,500	5,839	3,339
Refund of Prior Year Expenditures	0	0	18,186	18,186
Advances In	0	14,987	10,486	(4,501)
Other Financing Uses	(88,247)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(85,747)</u>	<u>17,487</u>	<u>34,511</u>	<u>17,024</u>
<i>Net Change in Fund Balance</i>	1,077,703	808,566	658,974	(149,592)
<i>Fund Balance Beginning of Year</i>	3,393,981	3,393,981	3,393,981	0
<i>Prior Year Encumbrances Appropriated</i>	9,183	9,183	9,183	0
<i>Fund Balance End of Year</i>	<u>\$4,480,867</u>	<u>\$4,211,730</u>	<u>\$4,062,138</u>	<u>(\$149,592)</u>

Fort Frye Local School District, Ohio
Statement of Fund Net Position - Cash Basis
Internal Service Fund
June 30, 2015

	Medical Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,484,091</u>
Net Position	
Unrestricted	<u>\$1,484,091</u>

See accompanying notes to the basic financial statements.

Fort Frye Local School District, Ohio
Statement of Cash Receipts, Cash
Disbursements and Changes in Fund Net Position - Cash Basis
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	Medical Insurance
Operating Receipts	
Charges for Services	\$1,707,891
Operating Disbursements	
Purchased Services	432,370
Claims	1,156,160
Other	12,627
<i>Total Operating Disbursements</i>	1,601,157
<i>Change in Net Position</i>	106,734
<i>Net Position Beginning of Year</i>	1,377,357
<i>Net Position End of Year</i>	\$1,484,091

See accompanying notes to the basic financial statements.

Fort Frye Local School District, Ohio

Statement of Net Position - Cash Basis

Agency Fund

June 30, 2015

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$37,475</u>
Net Position	
Restricted for Students	<u>\$37,475</u>

See accompanying notes to the basic financial statements.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Description of the School District and Reporting Entity

Fort Frye Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's 5 instructional/support facilities staffed by 58 classified employees and 80 certified personnel, who provide services to 982 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Fort Frye Local School District, this includes general operations, food service, and student-related activities. The following activities are also included within the reporting entity.

Parochial School - Within the School District boundaries, St. John Central Elementary School is operated through the Steubenville Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Chief Fiscal Officer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services, if any. The School District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental, proprietary, or fiduciary.

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

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

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Permanent Improvement Fund This fund accounts for the acquisition, construction, or improvement of capital facilities of governmental activities.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination the changes in net position and financial position. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The School District's only proprietary fund type is an Internal Service Fund.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for health claims.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. The School District's agency fund accounts for student activities and assets held by the School District as an agent for outside activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

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

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 cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

E. Cash, Cash Equivalents, and Investments

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

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

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2015 was \$31,678, including \$14,837 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unclaimed monies and amounts required by State Statute to be set aside for capital improvements. See Note 13 for additional information regarding set-asides.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

M. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

N. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for local grants restricted to cash disbursement for specified purposes.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available

O. Fund Balance

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

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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.

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School 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 School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

Unassigned: The 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.

The School District applies restricted resources first when expenditures are 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 the amounts in any of the unrestricted fund balance classifications could be used.

P. Internal Transactions

Transfers within governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts 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 and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Q. Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. During fiscal year 2015, the School District did not have activity that met the definition of a special item.

Note 3 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total
Nonspendable:				
Unclaimed Monies	\$178	\$0	\$0	\$178
Restricted for:				
State Grant Expenditures	0	0	56,939	56,939
Federal Grant Expenditures	0	0	3,469	3,469
Food Service Operations	0	0	158,019	158,019
Capital Improvements	124,543	1,879,291	0	2,003,834
Athletic and Music Programs	0	0	47,012	47,012
<i>Total Restricted</i>	<u>124,543</u>	<u>1,879,291</u>	<u>265,439</u>	<u>2,269,273</u>
Assigned to:				
Purchases on Order	39,886	0	0	39,886
Public School Support	37,263	0	0	37,263
<i>Total Assigned</i>	<u>77,149</u>	<u>0</u>	<u>0</u>	<u>77,149</u>
Unassigned:	3,917,819	0	0	3,917,819
<i>Total Fund Balances</i>	<u>\$4,119,689</u>	<u>\$1,879,291</u>	<u>\$265,439</u>	<u>\$6,264,419</u>

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance - Budget and Actual (Budget Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and cash basis are as follows:

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 4 - Budgetary Basis of Accounting (Continued)

1. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (cash).
2. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (cash).
3. Budgetary receipts and disbursements of the Public School Support Fund are reclassified to the General Fund for cash reporting.

The following tables summarize the adjustments necessary to reconcile the cash and budgetary basis statements for the General Fund:

Net Change in Fund Balance	
Cash Basis	\$794,480
Advance In	(121,785)
Advance Out	19,598
To reclassify excess of receipts over disbursements into financial statement fund types	6,567
Encumbrances	<u>(39,886)</u>
Budget Basis	<u><u>\$658,974</u></u>

Note 5 - Deposits and Investments

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 5 - Deposits and Investments (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bank acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$7,280,301 of the School District's bank balance of \$7,847,265 was exposed to custodial credit risk because it was uninsured and collateralized in a collateral pool. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2015, the School District had no investments.

Note 6 - Property Taxes

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

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 - Property Taxes (Continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute 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 semi-annually, 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 2015 represents collections of calendar year 2014 taxes. Public utility real property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected 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.

The School District receives property taxes from Washington, Morgan, and Noble Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$81,154,300	42.18%	\$81,652,770	42.73%
Commerical/Industrial and Public Utility Real	24,162,350	12.56%	25,287,660	13.24%
Public Utility Personal	87,087,140	45.26%	84,111,020	44.03%
	<u>\$192,403,790</u>	<u>100.00%</u>	<u>\$191,051,450</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$42.82		\$42.82

Note 7 - Significant Commitments

A. Contractual Commitments

As of June 30, 2015, the School District had contractual purchase commitments as follows:

	Purchase Commitments	Amounts Paid as of 6/30/2015	Amount Remaining on Contract
Permanent Improvement Capital Projects Fund:			
Broiler Project	\$290,355	\$22,620	\$267,735
Lighting Project	149,945	99,224	50,721
Gym Floor Project	43,320	3,536	39,784
Sewer Project	7,325	0	7,325
Total All Projects	<u>\$490,945</u>	<u>\$125,380</u>	<u>\$365,565</u>

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 7 - Significant Commitments (Continued)

B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of governmental encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$42,345
Permanent Improvement Capital Projects Fund	373,107
Nonmajor Funds	34,161
Total	\$449,613

Note 8 - Interfund Balances

Unpaid interfund cash advances at June 30, 2015, were as follows:

	Receivables	Payables
General Fund	\$34,599	\$0
Special Revenue Funds:		
Other Local Funds	0	20,598
State Grants	0	14,001
Total Special Revenue Funds	0	34,599
Total All Funds	\$34,599	\$34,599

The payables to the General Fund are due to cash deficits and from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$41,373,894
Crime (\$1,000 deductible):	
Employee Theft	100,000
Forgery or Alteration	100,000
Inside Premises	25,000
Outside Premises	25,000
Liability:	
Bodily Injury and Property Damage	6,000,000

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Risk Management (Continued)

Personal and Advertising Injury	6,000,000
General Aggregate Limit	8,000,000
Completed Operations Aggregate Limit	6,000,000
Employers' - Stop Gap - Bodily Injury	6,000,000
Educational Legal - Errors and Omissions (\$2,500 deductible):	
Injury Limit	6,000,000
Aggregate Limit	8,000,000
Automobile Liability:	
Liability	6,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000
Deductibles:	
Comprehensive (Buses/Other Autos)	1,000/250
Collision (Buses/Other Autos)	1,000/500

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

B. Workers' Compensation

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Benefits

Health insurance is offered to employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$237,348, which is based on an estimate provided by the third party administrator, includes unpaid claim costs and estimates of costs relating to incurred but not reported claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. A comparison of self-insurance fund cash and investments to the actuarially-measured liability as of June 30 follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$230,900	\$1,438,406	\$1,482,606	\$186,700
2015	186,700	1,156,160	1,105,512	237,348

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Risk Management (Continued)

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Educational Council in the amount of \$25,000 for its employees.

Dental coverage is provided through Delta Dental. Premiums for this coverage are \$59.04 monthly for family and \$21.87 for single coverage.

Note 10 - Defined Benefit Pension Plans

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 - Defined Benefit Pension Plans (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. 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 the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$189,268 for fiscal year 2015.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 - Defined Benefit Pension Plans (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015 and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 - Defined Benefit Pension Plans (Continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$564,083 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$2,358,045	\$9,194,095	\$11,552,140
Proportion of the Net Pension			
Liability	0.046593%	0.03779929%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 - Defined Benefit Pension Plans (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 - Defined Benefit Pension Plans (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,364,230	\$2,358,045	\$1,511,757

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 - Defined Benefit Pension Plans (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$13,162,350	\$9,194,095	\$5,838,287

Note 11 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 11 - Postemployment Benefits (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$25,390.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$11,775, \$36,549, and \$34,988, respectively. For fiscal year 2015, 94.14 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$0, \$38,406, and \$38,261 respectively. The full amount has been contributed for all three fiscal years.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2015, there is one employee who has elected Social Security.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 12 - Long-Term Debt

Currently, the School District has no outstanding debt.

The overall debt margin of the School District as of June 30, 2015, was \$17,190,976, with an unvoted debt margin of \$191,011.

Note 13 - Set-Aside Calculations

The School District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2014	\$48,714
Current Year Set-aside Requirement	169,274
Qualifying Disbursements	<u>(93,445)</u>
Total	<u>\$124,543</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$124,543</u>

Note 14 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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 School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The School District is currently not a party to any legal proceedings.

C. Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015. Therefore, foundation funding for the School District and any financial statement impact is not determinable at this time.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 15 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 28 participants consisting of school districts in seven southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2015, the School District paid \$103,411 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

B. Washington County Career Center

The Washington County Career Center, a joint vocational school, is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Ohio Valley Educational Service Center's Board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Career Center, Joe Crone, Treasurer, at 21740 SR 676, Marietta, Ohio 45750.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2015. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 16 - Insurance Purchasing Pool

A. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a thirteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the administrator of the OSP and is responsible for processing claims.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 16 - Insurance Purchasing Pool (Continued)

Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the plan. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

This page intentionally left blank.

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2014/2015	10.555	\$33,320	\$33,320
Cash Assistance:				
School Breakfast Program	2014/2015	10.553	88,212	88,212
National School Lunch Program	2014/2015	10.555	201,362	201,362
Cash Assistance Subtotal			<u>289,574</u>	<u>289,574</u>
Total Child Nutrition Cluster			322,894	322,894
Child Nutrition Discretionary Grants Limited Availability	2015	10.579	6,500	6,500
Total U.S. Department of Agriculture			329,394	329,394
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2014	84.010	0	3,729
	2015		216,308	214,066
Total Title I Grants to Local Educational Agencies			<u>216,308</u>	<u>217,795</u>
Special Education Cluster:				
Special Education - Grants to States	2014	84.027	26,778	21,027
	2015		214,883	209,981
Total Special Education - Grants to States			<u>241,661</u>	<u>231,008</u>
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants	2015	84.173	1,689	1,689
Total Special Education Cluster			243,350	232,697
<i>Passed through Ohio State University</i>				
Mathematics and Science Partnerships	2014	84.366	178,557	27,120
	2015		116,667	117,909
Total Mathematics and Science Partnerships			<u>295,224</u>	<u>145,029</u>
Improving Teacher Quality State Grants	2013	84.367	22,637	0
	2014		84,166	84,166
Total Improving Teacher Quality State Grants			<u>106,803</u>	<u>84,166</u>
Total U.S. Department of Education			861,685	679,687
Total Federal Awards Receipts and Expenditures			<u>\$1,191,079</u>	<u>\$1,009,081</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

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



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

Fort Frye Local School District
Washington County
500 Fifth Street
Beverly, Ohio 45715

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Frye Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 9, 2016, wherein we noted the School 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 School 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 School District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2015-001.

Entity's Response to Findings

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

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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 9, 2016



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

Fort Frye Local School District
Washington County
500 Fifth Street
Beverly, Ohio 45715

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Fort Frye Local School District's, Washington County, Ohio (the School 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 each of the School District's major federal programs for the year ended June 30, 2015. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

The School 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 School District's compliance for each of the School 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 School 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 School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its other major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The School 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 School 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 School 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 over 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

March 9, 2016

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<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 weakness conditions 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 Program's 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): <ul style="list-style-type: none"> • Nutrition Cluster, CFDA #'s 10.553 and 10.555 • Title I Grants to Local Educational Agencies, CFDA # 84.010 	
<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

FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2015-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. The School District filed financial statements with the Auditor of State, but those statements followed a cash accounting basis rather than generally accepted accounting principles. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. The School District is subject to fines and various other administrative remedies.

The School District should take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Officials' Response: Fort Frye Local Schools does not believe the benefits associated with filing GAAP statements outweigh the costs associated with preparing them.

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	A material noncompliance citation was issued under Ohio Rev. Code §117.38 and Ohio Admin. Code Section 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	No	Not Corrected: This Finding is repeated in the accompanying Schedule of Findings as Finding Number 2015-001.
2014-002	A material noncompliance citation and material weakness was issued under CFR Part 225, Appendix B 8h(3)(4) for not maintaining semi-annual certifications or personal activity reports on file to support employee wages paid from the Nutrition Cluster Grant.	Yes	N/A

This page intentionally left blank.



Dave Yost • Auditor of State

FORT FRYE LOCAL SCHOOL DISTRICT

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2016**