



Dave Yost • Auditor of State



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Fort Recovery Local School District  
Mercer County  
400 E. Butler Street P.O. Box 604  
Fort Recovery, Ohio 45846

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Recovery Local School District, Mercer County, Ohio (the School District), as of and for the years ended June 30, 2014 and 2013, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Recovery Local School District, Mercer County, Ohio, as of June 30, 2014 and 2013, and the respective changes in cash financial position and budgetary comparison for the General Fund thereof for the years 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, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental and Other Information*

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

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

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014, 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, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 27, 2014

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**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The discussion and analysis of Fort Recovery Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- For governmental activities, net position decreased \$701,511, which represents a 13 percent decrease from 2013. Net assets of business-type activities increased \$40,720 or 13 percent from 2013.
- General receipts accounted for \$9,628,293 in receipts or 89 percent of all governmental receipts. Program specific receipts in the form of charges for services and operating grants and contributions accounted for \$1,158,144 or 11 percent of total governmental receipts of \$10,786,437.
- The General Fund, which is a major fund, had \$9,632,822 in receipts and \$8,854,188 in disbursements. The General Fund's fund balance increased \$350,241 from 2013.
- During fiscal year 2012, the School District issued \$3,400,000 in bond anticipation notes which were issued to pay for renovations to the high school and improvement costs in the School District. On November 8, 2011, the voters of the School District approved a \$3.4 million bond levy (2.7 mills) to pay for the renovations and improvements. Construction on this project continued during fiscal year 2014.
- Net position for business-type activities increased \$40,720. The School District advanced \$15,000 from the General Fund to the Preschool Program to help cover operating costs during fiscal year 2013 (down from \$20,000 in 2012). This advance was repaid in fiscal year 2014.

**Using this Annual 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 Fort Recovery 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.

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

The notes to the financial statements are an integral part of the district-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the School District as a Whole**

*Statement of Net Positions and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question.

The statement of net position presents the cash balances and investments of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental and business-type program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as 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 and the statement of activities, the School District reports governmental and business-type activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Business-type activities are provided on a charge for goods or services basis to recover all of the disbursements of the good or services provided. The School District's business-type activities include food service operations and the preschool program.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

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

**Fund Financial Statements**

The analysis of the School District's major funds begins on page F-4. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental fund is the General Fund.

**Proprietary Funds** – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities and Net Assets. The School District has three enterprise funds, the Food Service Fund, Adult Education and the Preschool Fund. The Adult Education Fund had no activity during fiscal year 2014.

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013 on a cash basis:

**(Table 1)  
Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$5,250,956	\$4,549,445	\$304,426	\$345,146
<b>Net Position:</b>				
<b>Restricted for:</b>				
Capital Projects	1,716,510	628,104		
Debt Service	365,327	409,610		
Other Purposes	187,411	73,335		
Unrestricted	2,981,708	3,438,396	304,426	345,146
<b>Total Net Position</b>	<b>\$5,250,956</b>	<b>\$4,549,445</b>	<b>\$304,426</b>	<b>\$345,146</b>

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

As mentioned previously, the net position of governmental activities decreased \$701,511 or 13 percent from fiscal year 2013. As the renovations to the high school continued during fiscal year 2014, net position restricted for capital projects fell as well as cash and cash equivalents. The majority of the construction project took place during the summer of 2012-2013 and into the 2012-2013 school year, with the completion of the project anticipated during the summer prior to the 2013-2014 school year.

The School District also transferred \$485,000 from its General Fund to its Permanent Improvement capital projects fund during fiscal year 2014. Net position for debt service increased as property taxes received for debt service has exceeded the required payments. Unrestricted net position increased in the General Fund during fiscal year 2014 due to increased income tax and state foundation revenue.

Table 2 reflects the changes in net position for fiscal year 2014 compared to fiscal year 2013.

**(Table 2)  
Changes in Net Position**

	<b>Governmental Activities 2013</b>	<b>Governmental Activities 2014</b>	<b>Business- Type Activities 2013</b>	<b>Business- Type Activities 2014</b>
<b>Receipts:</b>				
<b>Program Receipts:</b>				
Charges for Services	\$571,754	\$638,191	\$397,299	\$366,193
Operating Grants and Contributions	528,757	519,953	94,464	92,407
<b>Total Program Receipts</b>	<b>1,100,511</b>	<b>1,158,144</b>	<b>491,763</b>	<b>458,600</b>
<b>General Receipts:</b>				
Property and Income Taxes	3,812,504	4,326,338		
Grants and Entitlements Not Restricted to Specific Programs	4,792,383	5,222,313		
All Other	117,694	79,642	393	1,713
<b>Total General Receipts</b>	<b>8,722,581</b>	<b>9,628,293</b>	<b>393</b>	<b>1,713</b>
<b>Total Receipts</b>	<b>9,823,092</b>	<b>10,786,437</b>	<b>492,156</b>	<b>460,313</b>
<b>Disbursements:</b>				
Instruction	6,167,138	6,411,441		
Support Services	2,728,988	2,775,267		
<b>Operation of Non-Instructional Services:</b>				
Extracurricular Activities	372,930	365,260		
Capital Outlay	2,106,629	1,444,623		
Debt Service	560,809	506,357		
Food Services			370,738	363,304
Preschool Program			62,171	41,289
<b>Total Disbursements</b>	<b>11,936,494</b>	<b>11,502,948</b>	<b>432,909</b>	<b>404,593</b>
Advances	5,000	15,000	(5,000)	(15,000)
<b>Change in Net Position</b>	<b>(2,108,402)</b>	<b>(701,511)</b>	<b>54,247</b>	<b>40,720</b>
Net Position, Beginning of Year	7,359,358	5,250,956	250,179	304,426
<b>Net Position, End of Year</b>	<b>\$5,250,956</b>	<b>\$4,549,445</b>	<b>\$304,426</b>	<b>\$345,146</b>

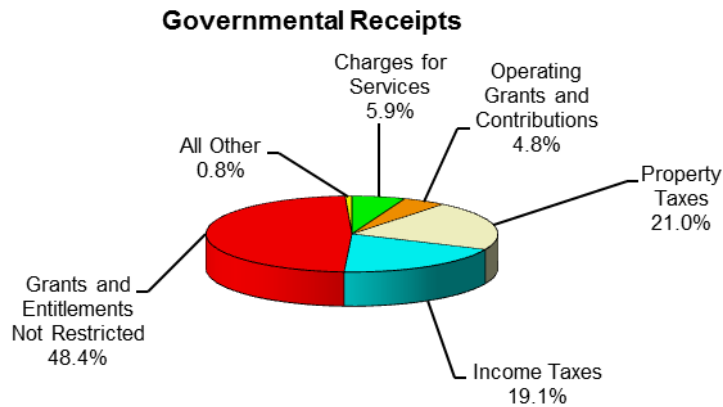
**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

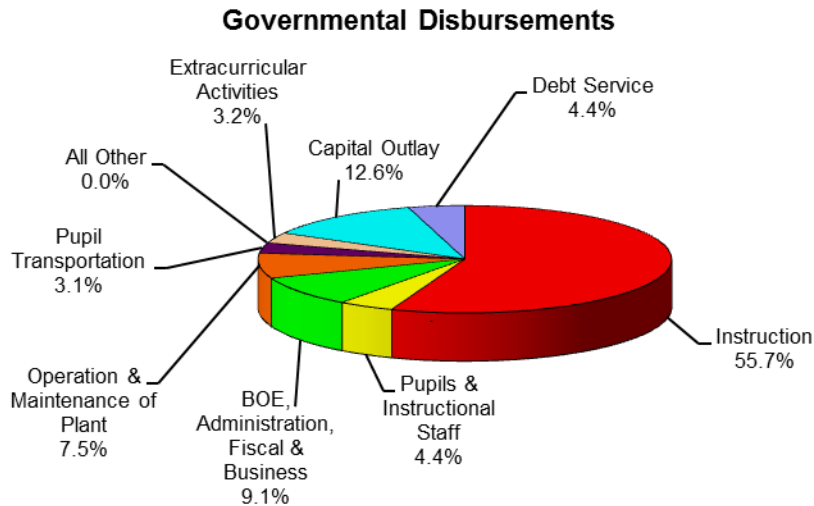
**Governmental Activities**

Several sources fund the School District's governmental activities with the School Foundation being the largest contributor. Property and income taxes generated \$4.3 million.

On November 8, 2011, the voters of the School District approved a bond issue in the amount of \$3.4 million (2.7 mills) to pay for renovations to the high school. Construction commenced in fiscal year 2013 and capital outlay disbursements increased as a result. Fiscal year 2014 shows the continued disbursements of capital outlay relating to this project.



Instruction comprises 55.7% of the School District's disbursements. Support services make up 24.1% of disbursements.



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

If you look at the Statement of Activities on page 14 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement.

A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2013</b>	<b>Net Cost of Services 2013</b>	<b>Total Cost Of Services 2014</b>	<b>Net Cost of Services 2014</b>
Instruction	\$6,167,138	(\$5,312,365)	\$6,411,441	(\$5,531,801)
<b>Support Services:</b>				
Pupils and Instructional Staff	551,264	(443,096)	498,896	(372,766)
Board of Education, Administration, Fiscal and Business	1,030,839	(1,030,695)	1,048,487	(1,041,728)
Operation and Maintenance of Plant	875,717	(874,907)	865,211	(863,661)
Pupil Transportation	264,052	(263,472)	360,692	(354,760)
Central	7,116	(7,116)	1,981	(1,981)
Extracurricular Activities	372,930	(236,894)	365,260	(227,127)
Capital Outlay	2,106,629	(2,106,629)	1,444,623	(1,444,623)
Debt Service, includes payment to bond escrow	560,809	(560,809)	506,357	(506,357)
<b>Total Disbursements</b>	<b><u>\$11,936,494</u></b>	<b><u>(\$10,835,983)</u></b>	<b><u>\$11,502,948</u></b>	<b><u>(\$10,344,804)</u></b>

The dependence upon property tax receipts and income tax receipts is apparent, as 90 percent of governmental activities are supported through these general receipts.

**Business-Type Activities**

The School District's most significant business-type activity includes the operation of the food service program. Business-type activities had an increase of net position of \$40,720 during fiscal year 2014. The Food Service operations were able to cover costs during fiscal year 2014. In addition, the Preschool Program revenues did cover its expenses and was able to repay the \$15,000 advance from the General Fund. The School District will continue to monitor the charges for these services to ensure costs are covered.

**The School District's Funds**

The General fund had receipts of \$9,632,822 and disbursements of \$8,854,188. A contributing factor to the increase in General fund balance was an increase in income tax revenue and state foundation monies.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

**Budgeting Highlights**

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

During the course of fiscal year 2014, the School District did modify its General Fund budget. The School District uses site-based budgeting, and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For fiscal year 2014, appropriations increased \$379,000 (4%) as a result of increases in regular instruction and transfers out.

**Capital Assets and Debt Administration**

**Capital Assets**

The School District does not currently keep track of its capital assets and infrastructure for financial reporting purposes. The School District tracks its capital assets for inventory and insurance purposes only.

**Debt**

At June 30, 2014, the School District's outstanding debt included \$4,736,438 in general obligation bonds and energy conservation bonds issued for improvements to buildings and structures. The amount due in fiscal year 2015 is \$362,371.

For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

Fort Recovery Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District still relies heavily on the state school foundation program. The School District has a 1.5 percent continuing school district income tax for operating purposes, has several continuing property tax levies, and passed a 2.7 mill School Improvement levy to issue Bonds for renovations at the high school.

As a result of the levy passing, the renovations are near completion at the high school. Contingency money is being used on the final stages of the project. The new athletic facility is also near completion, with final touches to the flooring being installed this summer.

Real estate tax collections continue to be a strong revenue source for the District, however, for the past few years, income tax revenues have begun to exceed property tax revenue, which is unusual for a district of our size. Our balance between our income tax and property tax collections has helped us to not have to go back to our voters to seek approval for additional operating levies.

State foundation funding distributions to school districts are determined by the biennial budget adopted by the State Legislators. Provisions of Amended House Bill 59 govern the fiscal year 2014 funding calculations for school funding. The first quarter of the fiscal year was based on the old Bridge Formula, but beginning with the first payment in October, calculations are based on the new foundation formula using the new School Finance Payment Report (SFPR).

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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(Continued)**

Per the Ohio Department of Education, the calculation of the various components (opportunity grant, targeted assistance, K-3 literacy, economic disadvantaged funding, limited English proficiency, gifted education, transportation funding, special education additional funding, career tech educational funding) of the new foundation formula will require the use of the new enrollment data that will be collected during the October count week, and some of the data in the new formula is being collected for the first time. Therefore, comparable data from previous years was not available, so estimates were used for fiscal year 2014, and these amounts were adjusted throughout the year. Total State Foundation revenues for Fort Recovery Local Schools received for fiscal year 2014 are approximately 6.5 percent above those received during fiscal year 2013, and, according to the most recent information received, fiscal year 2015 is projected to be 5.5 percent above 2014

All scenarios required management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lori Koch, Treasurer of Fort Recovery Local School District, 400 E. Butler Street, Fort Recovery, OH 45846.



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$4,549,445	\$345,146	\$4,894,591
Total Assets	<u>4,549,445</u>	<u>345,146</u>	<u>4,894,591</u>
<b>Net Position:</b>			
<b>Restricted for:</b>			
Capital Projects	628,104		628,104
Debt Service	409,610		409,610
Other Purposes	73,335		73,335
Unrestricted	<u>3,438,396</u>	<u>345,146</u>	<u>3,783,542</u>
Total Net Position	<u>\$4,549,445</u>	<u>\$345,146</u>	<u>\$4,894,591</u>

*See accompanying notes to the financial statements.*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Program Cash Receipts</u>		
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>
<b>Governmental Activities:</b>			
<b>Instruction:</b>			
Regular	\$4,545,439	\$347,674	\$53,544
Special	1,542,871	40,045	323,869
Vocational	320,132	2,760	111,748
Other	2,999		
<b>Support Services:</b>			
Pupil	284,841	107,827	18,303
Instructional Staff	214,055		
Board of Education	26,245		
Administration	729,548		6,759
Fiscal	285,655		
Business	7,039		
Operation and Maintenance of Plant	865,211	1,550	
Pupil Transportation	360,692	5,932	
Central	1,981		
Extracurricular Activities:	365,260	132,403	5,730
Capital Outlay	1,444,623		
Debt Service	506,357		
Total Governmental Activities	<u>11,502,948</u>	<u>638,191</u>	<u>519,953</u>
<b>Business-Type Activities:</b>			
Food Services	363,304	311,332	91,336
Preschool Program	41,289	54,861	1,071
Total Business-Type Activities	<u>404,593</u>	<u>366,193</u>	<u>92,407</u>
Totals	<u>\$11,907,541</u>	<u>\$1,004,384</u>	<u>\$612,360</u>

**General Receipts**

**Property Taxes Levied for:**

- General Purposes
- Debt Service
- Classroom Facilities & Maintenance
- Income Taxes Levied for General Purposes
- Grants and Entitlements not Restricted to Specific Programs
- Gifts and Donations not Restricted to Specific Programs
- Interest
- Miscellaneous

Total General Receipts

Advances

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

*See accompanying notes to the financial statements.*

**Net (Disbursements) Receipts and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
(\$4,144,221)		(\$4,144,221)
(1,178,957)		(1,178,957)
(205,624)		(205,624)
(2,999)		(2,999)
(158,711)		(158,711)
(214,055)		(214,055)
(26,245)		(26,245)
(722,789)		(722,789)
(285,655)		(285,655)
(7,039)		(7,039)
(863,661)		(863,661)
(354,760)		(354,760)
(1,981)		(1,981)
(227,127)		(227,127)
(1,444,623)		(1,444,623)
(506,357)		(506,357)
<u>(10,344,804)</u>		<u>(10,344,804)</u>
	\$39,364	39,364
	14,643	14,643
	<u>54,007</u>	<u>54,007</u>
<u>(10,344,804)</u>	54,007	<u>(10,290,797)</u>
1,721,684		1,721,684
507,419		507,419
35,388		35,388
2,061,847		2,061,847
5,222,313		5,222,313
10,899		10,899
14,062	82	14,144
54,681	1,631	56,312
<u>9,628,293</u>	<u>1,713</u>	<u>9,630,006</u>
<u>15,000</u>	<u>(15,000)</u>	
(701,511)	40,720	(660,791)
<u>5,250,956</u>	<u>304,426</u>	<u>5,555,382</u>
<u>\$4,549,445</u>	<u>\$345,146</u>	<u>\$4,894,591</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$3,331,949	\$1,217,496	\$4,549,445
Total Assets	3,331,949	1,217,496	4,549,445
 <b>Fund Balances:</b>			
Non-spendable	2,342		2,342
Restricted		1,017,014	1,017,014
Committed	122,662		122,662
Assigned	410,528	200,482	611,010
Unassigned	2,796,417		2,796,417
Total Fund Balances	\$3,331,949	\$1,217,496	\$4,549,445

*See accompanying notes to the financial statements.*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts:</b>			
Property Taxes	\$1,721,684	\$483,831	\$2,205,515
Income Taxes	2,061,847		2,061,847
Intergovernmental	5,289,956	483,523	5,773,479
Interest	9,271	4,791	14,062
Tuition and Fees	340,179		340,179
Rent	1,550		1,550
Extracurricular Activities	154,446	132,185	286,631
Gifts and Donations	21,202	17,460	38,662
Miscellaneous	32,687		32,687
Total Receipts	<u>9,632,822</u>	<u>1,121,790</u>	<u>10,754,612</u>
<b>Disbursements:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	4,488,979	56,460	4,545,439
Special	1,218,365	324,506	1,542,871
Vocational	307,632	12,500	320,132
Other	2,999		2,999
<b>Support Services:</b>			
Pupil	284,841		284,841
Instructional Staff	213,948	107	214,055
Board of Education	26,245		26,245
Administration	722,697	6,851	729,548
Fiscal	273,960	11,695	285,655
Business	7,039		7,039
Operation and Maintenance of Plant	771,224	93,987	865,211
Pupil Transportation	276,233	84,459	360,692
Central	1,981		1,981
Extracurricular Activities	205,988	159,272	365,260
Capital Outlay		1,444,623	1,444,623
<b>Debt Service:</b>			
Principal Retirement	47,371	295,000	342,371
Interest	4,686	159,300	163,986
Total Disbursements	<u>8,854,188</u>	<u>2,648,760</u>	<u>11,502,948</u>
Excess of Receipts Over / (Under) Disbursements	<u>778,634</u>	<u>(1,526,970)</u>	<u>(748,336)</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers - In		485,000	485,000
Advances - In	72,000	47,000	119,000
Refund of Prior Year Expenditures	27,639	218	27,857
Operating Transfers - Out	(485,000)		(485,000)
Advances - Out	(47,000)	(57,000)	(104,000)
Proceeds from Sale of Assets	3,968		3,968
Total Other Financing (Uses) Sources	<u>(428,393)</u>	<u>475,218</u>	<u>46,825</u>
Net Change in Fund Balances	350,241	(1,051,752)	(701,511)
Fund Balances Beginning	<u>2,981,708</u>	<u>2,269,248</u>	<u>5,250,956</u>
Fund Balances End of Year	<u>\$3,331,949</u>	<u>\$1,217,496</u>	<u>\$4,549,445</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property Taxes	\$1,680,793	\$1,680,793	\$1,721,684	\$40,891
Income Taxes	1,662,336	1,662,336	2,061,847	399,511
Intergovernmental	4,921,343	4,921,343	5,289,956	368,613
Interest	15,534	15,534	9,271	(6,263)
Tuition and Fees	304,498	304,498	340,179	35,681
Rent	834	834	1,550	716
Gifts and Donations	14,833	14,833	2,899	(11,934)
Charges for Service	148	148		(148)
Miscellaneous	15,622	15,622	27,608	11,986
<b>Total Receipts</b>	<u>8,615,941</u>	<u>8,615,941</u>	<u>9,454,994</u>	<u>839,053</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,422,180	4,516,780	4,431,457	85,323
Special	1,025,319	1,185,319	1,221,397	(36,078)
Vocational	337,208	362,008	342,416	19,592
Other	19,108	19,108	2,999	16,109
<b>Support Services:</b>				
Pupil	191,043	191,043	174,762	16,281
Instructional Staff	303,784	301,784	203,341	98,443
Board of Education	35,776	35,776	30,036	5,740
Administration	747,577	747,577	736,740	10,837
Fiscal	313,899	314,899	298,824	16,075
Business	8,902	8,902	7,457	1,445
Operation and Maintenance of Plant	966,236	930,836	916,397	14,439
Pupil Transportation	299,659	300,659	311,656	(10,997)
Central	5,090	5,090	2,233	2,857
Extracurricular Activities	230,123	230,123	206,045	24,078
<b>Debt Service:</b>				
Principal Retirement	49,740	49,740	47,371	2,369
Interest	4,774	4,774	4,686	88
<b>Total Disbursements</b>	<u>8,960,418</u>	<u>9,204,418</u>	<u>8,937,817</u>	<u>266,601</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	<u>(344,477)</u>	<u>(588,477)</u>	<u>517,177</u>	<u>1,105,654</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of Sale of Assets			3,968	3,968
Advances - In			72,000	72,000
Refund of Prior Year Expenditures			27,639	27,639
Operating Transfers - Out	(370,000)	(505,000)	(485,000)	20,000
Advances - Out			(47,000)	(47,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(370,000)</u>	<u>(505,000)</u>	<u>(428,393)</u>	<u>76,607</u>
<b>Net Change in Fund Balance</b>	(714,477)	(1,093,477)	88,784	1,182,261
<b>Fund Balance Beginning of Year</b>	2,468,388	2,468,388	2,468,388	
<b>Prior Year Encumbrances Appropriated</b>	<u>239,243</u>	<u>239,243</u>	<u>239,243</u>	
<b>Fund Balance End of Year</b>	<u>\$1,993,154</u>	<u>\$1,614,154</u>	<u>\$2,796,415</u>	<u>\$1,182,261</u>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2014**

	<b>Business - Type Activity</b>		
	<b>Food Service</b>	<b>All Other Enterprise</b>	<b>Totals</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$317,173	\$27,973	\$345,146
Total Assets	317,173	27,973	345,146
<b>Net Position:</b>			
Unrestricted	317,173	27,973	345,146
Total Net Position	\$317,173	\$27,973	\$345,146

*See accompanying notes to the financial statements.*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>Business-Type Activity</b>		
	<b>Food Service</b>	<b>All Other Enterprise</b>	
<b>Operating Receipts:</b>			
Charges for Services	\$311,332		\$311,332
Tuition and Fees		\$54,861	54,861
Other Operating Revenues	931		931
Total Operating Receipts	<u>312,263</u>	<u>54,861</u>	<u>367,124</u>
<b>Operating Disbursements:</b>			
Salaries	120,572	26,575	147,147
Fringe Benefits	26,325	10,735	37,060
Purchased Services	4,132	396	4,528
Materials and Supplies	207,818	3,583	211,401
Capital Outlay	4,135		4,135
Other	322		322
Total Operating Disbursements	<u>363,304</u>	<u>41,289</u>	<u>404,593</u>
Operating Income (Loss)	<u>(51,041)</u>	<u>13,572</u>	<u>(37,469)</u>
<b>Non-Operating Receipts (Expenses):</b>			
Federal and State Subsidies	91,336	1,071	92,407
Interest	82		82
Other		700	700
Advance Out		(15,000)	(15,000)
Total Non-Operating Receipts (Expenses)	<u>91,418</u>	<u>(13,229)</u>	<u>78,189</u>
Change in Net Position	40,377	343	40,720
Net Position Beginning of Year	<u>276,796</u>	<u>27,630</u>	<u>304,426</u>
Net Position End of Year	<u><u>\$317,173</u></u>	<u><u>\$27,973</u></u>	<u><u>\$345,146</u></u>

*See accompanying notes to the financial statements.*



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Cash and Cash Equivalents	\$7,500	\$71,578
Total Assets	7,500	71,578
 <b>Liabilities:</b>		
Due to Students		70,982
Due to Employees		596
Total Liabilities		\$71,578
 <b>Net Position:</b>		
<b>Held in Trust for Scholarships:</b>		
Expendable	7,500	
Total Net Position	\$7,500	

*See accompanying notes to the financial statements.*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	<u>\$119</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>570,525</u>
Change in Net Position	(570,406)
Net Position Beginning of Year	<u>577,906</u>
Net Position End of Year	<u><u>\$7,500</u></u>

*See accompanying notes to the financial statements.*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Fort Recovery Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in a rural community in Northwest Ohio. The School District is located in Mercer County. The School District is staffed by 41 non-certificated employees and 67 certificated full-time teaching personnel who provide services to 1,080 students and other community members.

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

**A. Primary Government**

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 Recovery Local School District, this includes general operations, food service, and student related activities of the School District.

**B. Component Units**

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in six jointly governed organizations, three insurance purchasing pools and one related organization. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Northwest Ohio Area Computer Services Cooperative
- Mercer County Local Professional Development Committee
- West Central Ohio Special Education Regional Resource Center
- West Central Ohio Regional Professional Development Center
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**1. REPORTING ENTITY (Continued)**

Insurance Purchasing Pools:

Ohio Association of School Business Officials Workers' Compensation Group  
Rating Plan  
Mercer Auglaize Employee Benefit Trust  
Ohio School Insurance Plan

Related Organization:

Fort Recovery Public Library

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

**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.

**1. 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. These 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 non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type 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 and business-type 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.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. 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 and enterprise (business-type activities) 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.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**B. Fund Accounting**

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

**1. Governmental Funds**

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

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

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

**2. Proprietary Funds**

The School District classifies funds financed primarily from user charges for goods or services as proprietary. The School District's proprietary funds consist of enterprise funds.

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the School District's major enterprise fund:

**Food Service Fund** - The Food Service Fund is used to account for fees and intergovernmental revenues used to run the food service program.

The School District's other enterprise funds accounts for the adult education program and preschool program.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fiduciary Funds**

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature. The School District only maintains agency funds which account for the Section 125 plan and those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**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. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials and the fund financial statements for business-type activities would be presented on the accrual basis of accounting.

**D. Cash 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 School District records. Interest in the pool is presented as "Cash and Cash Equivalents" on the financial statements.

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 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.

Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2014, the School District invested in nonnegotiable certificates of deposits, repurchase agreements and Federated Government Obligations Fund.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 was \$9,271 which included \$3,654 assigned from other School District funds.

**E. Inventory and Prepaid Items**

On a cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

**F. 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.

**G. 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.

**H. 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.

**I. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. 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.

Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**K. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for music and athletic programs, and federal and state 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 positions are available. The School District did not have any assets restricted by enabling legislation at June 30, 2014.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. 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:

**Non-spendable** – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The ‘not in spendable form’ includes items that are not expected to be converted to cash.

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

**Assigned** – Amounts in the assigned 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 Board of Education.

**Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another fund are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the School District, these receipts are tuition for preschool and sales for food service. Operating disbursements are necessary costs incurred to provide the good or service that are the primary activity of the fund. Receipts and disbursements that do not meet these definitions are reported as non-operating.

**O. 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 budgetary control is at the fund level for all funds, except the General Fund. The School District legal level of control for the general fund is the object level. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

**3. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, 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, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and cash basis are

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Cash Basis	\$350,241
Encumbrances	(352,525)
Perspective Differences	<u>91,068</u>
Budgetary Basis	<u><u>\$88,784</u></u>

**4. 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;
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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. 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 possession of an outside party. The School District has no deposit policy for custodial 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 with either 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 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$1,791,800 and the bank balance was \$2,002,202. \$1,727,034 of the School District's deposits was insured by federal depository insurance. As of June 30, 2014, \$275,168 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

**B. Investments**

Investments are reported at fair value. As of June 30, 2014, the School District's investment included \$1,596,512 in repurchase agreements and \$1,585,357 in Federated Government Obligations Fund.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**Interest Rate Risk** – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements of ongoing operations. The average maturity of the Federated Government Obligations Fund is 51 days.

**Credit Risk** – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The Federated Government Obligations Fund carries an S&P credit rating of AAAm.

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

The School District's \$1,596,512 investment in repurchase agreements is exposed to credit risk due to the underlying securities are held by the investment's counterparty or its trust department or agent, not in the School District's name.

**Concentration of Credit Risk** - The School District places no limits on the amount the School District may invest in any one issuer. The School District's investment percentage for repurchase agreements and the Fifth Third Institutional Government Money Market Mutual Fund are 50% and 50%, respectively.

**5. PROPERTY TAXES**

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**5. PROPERTY TAXES (Continued)**

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2014 taxes were collected are:

	<b>2013 Second- Half Collections</b>		<b>2014 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$90,490,000	96.47%	\$92,212,350	96.50%
Public Utility Personal	3,315,150	3.53%	3,336,980	3.50%
Total	<u>\$93,805,150</u>	<u>100.00%</u>	<u>\$95,549,330</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$33.60		\$33.60	

**6. INCOME TAXES**

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. An original one percent tax was effective on January 1, 1991, with an additional .5 percent tax passed in May 2005. This is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. RISK MANAGEMENT**

**A. Property and Liability**

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. During fiscal year 2014, the School District's property, fleet coverage, and liability insurance was provided by Selective Insurance Company.

Coverage provided is as follows:

Building and Business Personal	
Property Coverage (\$1,000 deductible)	\$33,515,881
Automobile Liability (\$500 deductible)	1,000,000
Uninsured/Underinsured Motorists (\$500 deductible)	1,000,000
General Liability:	
Each Occurrence	1,000,000
Medical Expense – any one person/each accident	5,000
General Aggregate Limit	3,000,000

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Employee Benefits Liability:	
Each Offense (\$1,000 deductible)	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease – each employee	1,000,000
Disease Policy Limit	1,000,000
Aggregate	3,000,000
Educational Legal Liability:	
Errors and Omissions Injury – each wrongful act (\$2,500 deductible)	1,000,000
Errors and Omissions Injury Aggregate	1,000,000
Sexual Misconduct and Molestation Liability:	
Each Offense (\$2,500 deductible)	1,000,000
Aggregate	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2014, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Comp Management, Inc. provides the administrative, cost control and actuarial services to the GRP.

**C. Health Care Benefits**

The School District participates in the Mercer Auglaize Employee Trust (Trust), a public entity shared risk pool consisting of eleven local districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical, dental, and vision insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**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, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$126,403, \$117,641, and \$123,092, respectively; 79.50 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

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

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

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

**Funding Policy** - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$510,442, \$517,503, and \$523,246, respectively; 83.99 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2014, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**9. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

**Medicare Part B Plan** – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending upon their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$7,333, \$6,645, and \$7,269, respectively; 79.50 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

**Health Care Plan** – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. 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 health care surcharge.

For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$18,371, \$18,456, and \$20,612, respectively; 79.50 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$39,265, \$39,808, and \$40,250, respectively; 83.99 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**10. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation leave may be carried over from one year to the next and can be accumulated up to a 3 year maximum. Unused vacation time is paid to classified employees and administrators upon retirement. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, employees who meet the State requirement of 10 years of service will receive payment for twenty-five percent of accrued, but unused sick leave credit to a maximum of 150 days for all employees, plus an addition two and one-half days for each year over twenty years of service in the Fort Recovery School System (60 day maximum).

**B. Insurance Benefits**

The School District provides life insurance to most employees through AIG American General. Vision insurance is provided through the Vision Service Plan. Medical/surgical benefits and dental benefits are provided through CoreSource through the Mercer Auglaize Employee Benefit Trust (See Note 14).

**11. DEBT**

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	<b>Amount Outstanding 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Amount Outstanding 6/30/2014</b>	<b>Amount Due in One Year</b>
<b>Governmental Activities:</b>					
1998 School Improvement Bonds					
Capital Appreciation Bonds 7.5%	\$171,493	\$3,507	(\$175,000)		
2010 Classroom Facilities Refunding					
Serial Bonds 2% - 4%	1,470,000		(10,000)	\$1,460,000	\$200,000

(Continued)

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**11. DEBT (Continued)**

	<u>Amount Outstanding 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2014</u>	<u>Amount Due in One Year</u>
<b>Governmental Activities: (Cont'd.)</b>					
2011 School Energy Conservation Bonds - 2.85%	188,809		(47,371)	141,438	47,371
2012 School Improvement Bonds - 1.5% - 4%	3,245,000		(110,000)	3,135,000	115,000
Total Governmental Activities Long-Term Liabilities	<u>\$5,075,302</u>	<u>\$3,507</u>	<u>(\$342,371)</u>	<u>\$4,736,438</u>	<u>\$362,371</u>

**1998 School Improvement General Obligation Bonds** – On August 1, 1998, the School District issued \$3,389,193 in voted general obligation bonds for the acquisition, construction, and improvement to buildings and structures. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,705,000, \$1,500,000, and \$265,339, respectively. During fiscal year 2010, the School District refunded the serial and term portion of these bonds. The capital appreciation bonds mature in fiscal years 2011 through 2013 and are not subject to redemption prior to maturity. The bonds were retired from the Bond Retirement debt service fund.

**2010 Classroom Facilities Refunding Bonds** – On June 3, 2010, the School District issued \$1,665,000 in general obligation bonds with interest rates between 2% to 4% to advance refund \$1,670,000 of the 1998 School Improvement General Obligation Bonds. The bonds are being retired from the Bond Retirement debt service fund.

**2011 School Energy Conservation Bonds** – On October 25, 2011, the School District issued \$236,180 in School Energy Conservation Improvement Bonds carrying a 2.85% interest rate. The bonds will mature December 1, 2016, and will be paid from savings resulting from the conservation measures.

**2012 School Improvement Bonds** – On March 21, 2012, the School District issued \$3,385,000 in school improvement bonds that were used to pay off a \$3,400,000 school improvement bond anticipation note. The bonds interest rate varies between 1.5% and 4%. The final payments on the bonds will be December 1, 2034. The bonds will be paid out of the Bond Retirement debt service fund from property taxes receipts from a bond levy approved by the voters on November 8, 2011.

The School District's overall legal debt margin was \$4,272,612 the un-voted debt margin was \$95,549 and the energy conservation debt margin was \$718,506 at June 30, 2014.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014 are as follows:

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**11. DEBT (Continued)**

Fiscal Year Ending June 30,	General Obligation Bonds		Energy Conservation Bonds		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	\$315,000	\$152,950	\$47,371	\$3,404	\$362,371	\$156,354	\$518,725
2016	320,000	142,838	47,372	2,039	367,372	144,877	512,249
2017	335,000	132,675	46,695	676	381,695	133,351	515,046
2018	345,000	121,925			345,000	121,925	466,925
2019	355,000	110,525			355,000	110,525	465,525
2020-2024	1,045,000	422,287			1,045,000	422,287	1,467,287
2025-2029	755,000	300,025			755,000	300,025	1,055,025
2030-2034	920,000	136,000			920,000	136,000	1,056,000
2035	205,000	4,100			205,000	4,100	209,100
Grand Total	<u>\$4,595,000</u>	<u>\$1,523,325</u>	<u>\$141,438</u>	<u>\$6,119</u>	<u>\$4,736,438</u>	<u>\$1,529,444</u>	<u>\$6,265,882</u>

In fiscal year 1997, the School District was awarded \$16,145,140 for construction and improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds remaining from the issuance of bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

**12. FUND BALANCE**

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:

<u>Fund Balance</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Non-spendable	\$2,342		\$2,342
<b>Restricted:</b>			
Classroom Maintenance		\$118,408	118,408
Athletics		46,915	46,915
Local Grants		4,344	4,344
Debt Service		409,610	409,610
Capital Improvements		427,622	427,622
State and Federal Grants		10,115	10,115
Total Restricted		<u>1,017,014</u>	<u>1,017,014</u>

(Continued)

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**12. FUND BALANCE**

<u>Fund Balance</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Committed to:</b>			
Termination Benefits	122,662		122,662
<b>Assigned for:</b>			
Unpaid Obligations	352,525		352,525
Public School Support	58,003		58,003
Capital Improvements		200,482	200,482
Total Assigned	410,528	200,482	611,010
Unassigned	2,796,417		2,796,417
Total Fund Balance	<u>\$3,331,949</u>	<u>\$1,217,496</u>	<u>\$4,549,445</u>

**13. SET-ASIDE REQUIREMENTS**

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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2014.

	<u>Improvements</u>
Set-aside Reserve Balance as of June 30, 2013	
Current Year Set-aside Requirement	\$160,792
Qualifying Disbursements	(160,792)
Total	<u>\$0</u>

**14. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION**

**A. Jointly Governed Organizations**

**Northwest Ohio Area Computer Services Cooperative** - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among school districts in Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Van Wert and Wood counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these school supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION (Continued)**

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2014, the School District contributed \$34,028 to NOACSC. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 645 South Main Street, Lima, OH 45804.

**Mercer County Local Professional Development Committee** - The School District is a participant in the Mercer County Local Professional Development Committee (Committee), which is a regional council of governments established to provide professional education license renewal standards and procedures. The Committee is governed by an eleven member board made up of six teachers, two principals, once superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$111 during the fiscal year. Financial information can be obtained from Mary Brandon, Treasurer of the Mercer County Educational Service Center at 441 East Market Street, Celina, Ohio 45822.

**West Central Ohio Special Education Regional Resource Center** - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$0 during fiscal year 2014. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Harding County Education Service Center, 1211 W. Lima Street, Suite A, Kenton, Ohio 43326-2385.

**West Central Ohio Regional Professional Development Center (Center)** – The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$1,157 to the Center during the fiscal year. Financial information can be obtained by contacting Greg Spiess, Treasurer, at the Hancock County Education Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION (Continued)**

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2014, the School District paid \$32,389 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2014, the School District made \$766 in payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**B. Insurance Purchasing Pools**

**Ohio Association of School Business Officials Workers' Compensation Group Rating Plan** - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION (Continued)**

**Mercer Auglaize Employee Benefit Trust** – The Mercer Auglaize Employee Benefit Trust (Trust) is a insurance pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 50(C)(9) of the Internal Revenue Code and provides medical, dental and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plan offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler, JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

**Ohio School Insurance Plan (Plan)** – The School District participates in the Ohio School Insurance Plan, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a board composed of officials from various member entities. The Hylant Administrative Services, LLC is the Plan's administrator and is responsible for processing claims. Financial information can be obtained from Ohio School Plan, c/o Hyland Administrative Services, LLC 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43606-2083.

**C. Related Organization**

**Fort Recovery Public Library** – The Fort Recovery Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees.

The School District did not make any financial contributions to the Fort Recovery Public Library during the fiscal year. Financial information can be obtained from the Fort Recovery Public Library, Marcia Staugler, Clerk/Treasurer, at 113 North Wayne Street, Fort Recovery, Ohio 45846.

**15. INTERFUND BALANCES**

The School District advanced \$15,000, to the preschool fund which was outstanding at June 30, 2013. This advance was repaid during fiscal year 2014.

In addition during fiscal year 2013, the School District advanced \$10,000 and \$10,000 to the Public School Preschool Grant Fund and Race to the Top special revenue funds from the General Fund. These advances were necessary due to the timing of the receipt of grants and were repaid early in fiscal year 2014. These were repaid early in fiscal year 2014.



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**15. INTERFUND BALANCES (Continued)**

During fiscal year 2014, the School District advanced from the General Fund and then repaid \$10,000 to the Preschool Fund and \$10,000 to the Race to the Top Fund, \$10,000 to the Title I Fund and \$7,000 to the Improving Teacher Quality Fund.

The School Board again approved advances for \$10,000 to the Race to the Top special revenues fund from the General Fund during fiscal year 2014. This advance will be repaid early in fiscal year 2015.

During fiscal year 2014, the School District transferred \$485,000 from the General Fund to the Permanent Improvement capital projects fund. The transfer was to provide for capital acquisitions.

**16. CONTRACTUAL COMMITMENTS**

As of June 30, 2014, the School District had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Purchase Order Amount</u>	<u>Disbursed</u>	<u>Remaining Amount</u>
Cincinnati Floor Company	\$64,900		\$64,900
Mesco Electrical Supply	44,073		44,073
Tri Star Career Compact	32,000		32,000
Muhlenkamp Building Corp.	24,000		24,000

**17. COMPLIANCE**

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

**18. CONTINGENT LIABILITIES**

**Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**19. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2014, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees."* GASB *Statement No. 70* provides guidance for reporting financial guarantees that are non-exchange transactions extended or received by a state or local government. The implementation of this statement had no effect on the School District.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The discussion and analysis of Fort Recovery Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2013 are as follows:

- For governmental activities, net position decreased \$2,108,402, which represents a 29 percent decrease from 2012. Net assets of business-type activities increased \$54,247 or 22 percent from 2012.
- General receipts accounted for \$8,722,581 in receipts or 89 percent of all governmental receipts. Program specific receipts in the form of charges for services and operating grants and contributions accounted for \$1,100,511 or 11 percent of total governmental receipts of \$9,823,092.
- The General Fund, which is a major fund, had \$8,627,214 in receipts and \$8,664,046 in disbursements. The General Fund's fund balance decreased \$227,539 from 2012.
- During fiscal year 2012, the School District issued \$3,400,000 in bond anticipation notes which were issued to pay for renovations to the high school and improvement costs in the School District. On November 8, 2011, the voters of the School District approved a \$3.4 million bond levy (2.7 mills) to pay for the renovations and improvements. Construction on this project continued during fiscal year 2013.
- Net assets for business-type activities increased \$54,247. The School District advanced \$15,000 from the General Fund to the Preschool Program to help cover operating costs during fiscal year 2013 (down from \$20,000 in 2012).

**Using this Annual 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 Fort Recovery 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.

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

The notes to the financial statements are an integral part of the district-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the School District as a Whole**

**Statement of Net Positions and the Statement of Activities**

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

The statement of net position presents the cash balances and investments of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental and business-type program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as 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 and the statement of activities, the School District reports governmental and business-type activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Business-type activities are provided on a charge for goods or services basis to recover all of the disbursements of the good or services provided. The School District's business-type activities include food service operations and the preschool program.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

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

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 52. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Building Project Capital Projects Fund.

**Proprietary Funds** – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities and Net Position. The School District has three enterprise funds, the Food Service Fund, Adult Education and the Preschool Fund. The Adult Education Fund had no activity during fiscal year 2013.

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to fiscal year 2012 on a cash basis:

**(Table 1)  
Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$7,359,358	\$5,250,956	\$250,179	\$304,426
<b>Net Position</b>				
<b>Restricted for:</b>				
Capital Projects	3,640,257	1,716,510		
Debt Service	347,404	365,327		
Other Purposes	162,450	187,411		
Unrestricted	3,209,247	2,981,708	250,179	304,426
<b>Total Net Position</b>	<b>\$7,359,358</b>	<b>\$5,250,956</b>	<b>\$250,179</b>	<b>\$304,426</b>

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

As mentioned previously, the net position of governmental activities decreased \$2,108,402 or 29 percent from fiscal year 2012. As the renovations to the high school continued during fiscal year 2013, net position restricted for capital projects fell as well as cash and cash equivalents. The majority of the construction project took place during the summer of 2012-2013 and into the 2012-2013 school year, with the completion of the project anticipated during the summer prior to the 2013-2014 school year.

The School District also transferred \$170,000 from its General Fund to its Permanent Improvement capital projects fund which increased net assets restricted for capital projects. Net assets for debt service increased as the General Fund transferred \$18,000 to the Bond Retirement fund during fiscal year 2013. Unrestricted net assets decreased \$227,539 in the General Fund during fiscal year 2013.

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

**(Table 2)  
Changes in Net Position**

	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2013</b>	<b>Business-Type Activities 2012</b>	<b>Business-Type Activities 2013</b>
<b>Receipts:</b>				
<b>Program Receipts:</b>				
Charges for Services	\$548,064	\$571,754	\$384,366	\$397,299
Operating Grants and Contributions	789,345	528,757	95,907	94,464
<b>Total Program Receipts</b>	<b>1,337,409</b>	<b>1,100,511</b>	<b>480,273</b>	<b>491,763</b>
<b>General Receipts:</b>				
Property and Income Taxes	3,905,825	3,812,504		
Grants and Entitlements Not Restricted to Specific Programs	4,773,975	4,792,383		
Bond Anticipation Notes Issued	3,400,000			
Energy Conservation Bonds Issued	236,180			
Refunding Bonds Issued (includes premium)	3,503,349			
All Other	53,139	117,694	2,014	393
<b>Total General Receipts</b>	<b>15,872,468</b>	<b>8,722,581</b>	<b>2,014</b>	<b>393</b>
<b>Total Receipts</b>	<b>17,209,877</b>	<b>9,823,092</b>	<b>482,287</b>	<b>492,156</b>
<b>Disbursements:</b>				
Instruction	6,099,488	6,167,138		
Support Services	3,390,225	2,728,988		
Operation of Non-Instructional Services	3,797			
Extracurricular Activities	346,165	372,930		
Capital Outlay		2,106,629		
Debt Service	3,768,464	560,809		
Food Services			396,407	370,738
Preschool Program			70,199	62,171
<b>Total Disbursements</b>	<b>13,608,139</b>	<b>11,936,494</b>	<b>466,606</b>	<b>432,909</b>
Advances	(20,000)	5,000	20,000	(5,000)
<b>Increase (Decreases) in Net Position</b>	<b>3,581,738</b>	<b>(2,108,402)</b>	<b>35,681</b>	<b>54,247</b>
<b>Net Position, Beginning of Year</b>	<b>3,777,620</b>	<b>7,359,358</b>	<b>214,498</b>	<b>250,179</b>
<b>Net Position, End of Year</b>	<b>\$7,359,358</b>	<b>\$5,250,956</b>	<b>\$250,179</b>	<b>\$304,426</b>

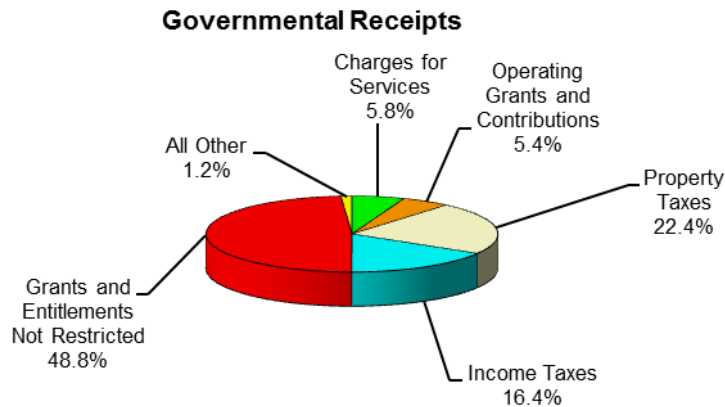
**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

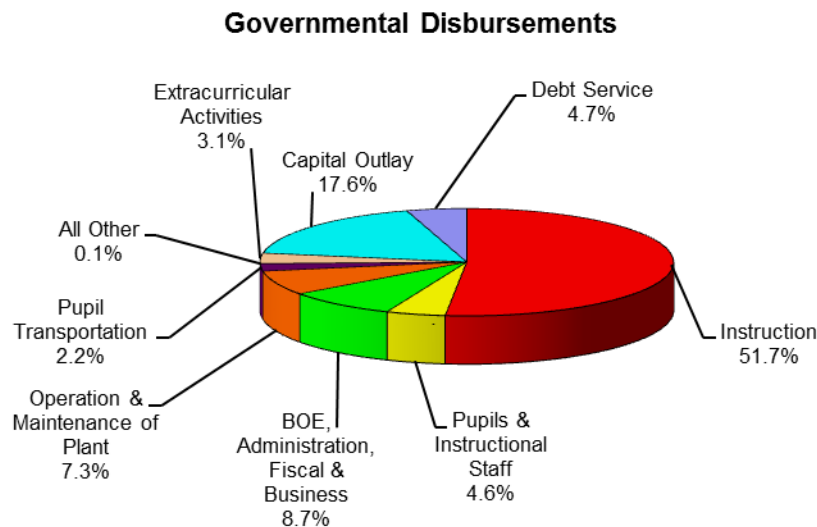
**Governmental Activities**

Several sources fund the School District's governmental activities with the School Foundation being the largest contributor. Property and income taxes generated \$3.8 million.

On November 8, 2011, the voters of the School District approved a bond issue in the amount of \$3.4 million (2.7 mills) to pay for renovations to the high school. Construction commenced in fiscal year 2013 and capital outlay disbursements increased as a result. The debt proceeds were received in fiscal year 2012. The decrease in debt service payments in fiscal year 2013 was the result of the bond anticipation note being paid off in fiscal year 2012.



Instruction comprises 51.7% of the School District's disbursements. Support services make up 22.9% of disbursements.



If you look at the Statement of Activities on page 60 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement.

A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2012</b>	<b>Net Cost of Services 2012</b>	<b>Total Cost Of Services 2013</b>	<b>Net Cost of Services 2013</b>
Instruction	\$6,099,488	(\$5,024,921)	\$6,167,138	(\$5,312,365)
Support Services:				
Pupils and Instructional Staff	605,375	(510,645)	551,264	(443,096)
Board of Education, Administration, Fiscal and Business	1,044,844	(1,036,905)	1,030,839	(1,030,695)
Operation and Maintenance of Plant	1,353,811	(1,336,813)	875,717	(874,907)
Pupil Transportation	298,080	(293,057)	264,052	(263,472)
Central	88,115	(88,115)	7,116	(7,116)
Operation of Non-Instructional Services	3,797	(2,428)		
Extracurricular Activities	346,165	(209,382)	372,930	(236,894)
Capital Outlay			2,106,629	(2,106,629)
Debt Service, includes payment to bond escrow	3,768,464	(3,768,464)	560,809	(560,809)
<b>Total Disbursements</b>	<b><u>\$13,608,139</u></b>	<b><u>(\$12,270,730)</u></b>	<b><u>\$11,936,494</u></b>	<b><u>(\$10,835,983)</u></b>

The dependence upon property tax receipts and income tax receipts is apparent, as over 90 percent of governmental activities are supported through these general receipts.

**Business-Type Activities**

The School District's most significant business-type activity includes the operation of the food service program. Business-type activities had an increase of net assets of \$54,247 during fiscal year 2013. The Food Service operations were able to cover costs during fiscal year 2013. In addition, the Preschool Program revenues did cover its expenses and was able to repay \$5,000 of the advance from the General Fund. The School District will continue to monitor the charges for these services to ensure costs are covered.

**The School District's Funds**

The General fund had receipts of \$8,627,214 and disbursements of \$8,664,046. One contributing factor to the decrease in General fund balance was the Board of Education negotiated a one percent salary increase for fiscal year 2013 contributing to higher salaries and benefits. Also, health care premiums increased during fiscal year 2013.

The Building Project fund balance decreased with the renovation project commenced during fiscal year 2013.



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

**Budgeting Highlights**

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

During the course of fiscal year 2013, the School District did modify its General Fund budget. The School District uses site-based budgeting, and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For fiscal year 2013, appropriations increased \$582,000 (6.6%) as a result of increases in regular instruction and advance out.

**Capital Assets and Debt Administration**

**Capital Assets**

The School District does not currently keep track of its capital assets and infrastructure for financial reporting purposes. The School District tracks its capital assets for inventory and insurance purposes only.

**Debt**

At June 30, 2013, the School District's outstanding debt included \$5,075,302 in general obligation bonds and energy conservation bonds issued for improvements to buildings and structures. The amount due in fiscal year 2014 is \$342,371.

For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

Fort Recovery Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District still relies heavily on the state school foundation program. School District residents passed an additional .5 percent continuing school district income tax issue in May 2005 for general operating purposes, and most recently, on November 8, 2011, passed a 2.7 mill property tax for School Improvement Bonds for renovations at the high school.

As a result of the levy passing, the renovations are well under way at the high school. The project is still running ahead of schedule and is still under budget. The last phase of the project, the new athletic facility is now under construction, and is also progressing well.

Real estate tax collections continue to be a strong revenue source for the District, however, for the past few years, our income tax revenues have been equal to or higher than our property tax revenue, which is unusual for a district of our size. Our balance between our income tax and property tax collections has helped us to not have to go back to our voters to seek approval for additional operating levies.

State funding to school districts is determined by the biennial budget adopted by the State Legislators. Provisions of Amended House Bill 59 govern the fiscal year 2014 funding calculations for school funding. Fiscal year 2013 revenue and the first quarter of fiscal year 2014 was based on the old Bridge Formula, but beginning with the first payment in October 2014, calculations will be based on the new foundation formula using the new School Finance Payment Report (SFPR). Fiscal year 2013 state revenue was up slightly from fiscal year 2012; however, as explained below, expectations are that we will see increases in fiscal year 2014 and 2015.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

Per the Ohio Department of Education, the calculation of the various components (opportunity grant, targeted assistance, K-3 literacy, economic disadvantaged funding, limited English proficiency, gifted education, transportation funding, special education additional funding, career tech educational funding) of the new foundation formula required the use of the new enrollment data collected during the October count week, some of which was being collected for the first time. Therefore, comparable data from previous years is not available, so in these instances, estimates will be used for fiscal year 2014, and these amounts will be adjusted as information becomes available. Total State Foundation revenue estimates for Fort Recovery Local Schools to be received during fiscal year 2014 are approximately 6.25 percent above those received during fiscal year 2013, and fiscal year 2015 is projected to be 7.91 percent above 2014.

All scenarios required management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lori Koch, Treasurer of Fort Recovery Local School District, 400 E. Butler Street, Fort Recovery, OH 45846.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2013**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$5,250,956	\$304,426	\$5,555,382
Total Assets	5,250,956	304,426	5,555,382
 <b>Net Position:</b>			
<b>Restricted for:</b>			
Capital Projects	1,716,510		1,716,510
Debt Service	365,327		365,327
Other Purposes	187,411		187,411
Unrestricted	2,981,708	304,426	3,286,134
Total Net Position	\$5,250,956	\$304,426	\$5,555,382

*See accompanying notes to the financial statements.*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Program Cash Receipts</u>		
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>
<b>Governmental Activities:</b>			
<b>Instruction:</b>			
Regular	\$4,454,007	\$316,989	\$101,222
Special	1,374,105	31,113	286,321
Vocational	326,815	1,353	117,775
Other	12,211		
<b>Support Services:</b>			
Pupil	273,483	88,171	11,611
Instructional Staff	277,781		8,386
Board of Education	23,496		
Administration	702,420	144	
Fiscal	296,794		
Business	8,129		
Operation and Maintenance of Plant	875,717	810	
Pupil Transportation	264,052	580	
Central	7,116		
Operation of Non-Instructional Services			
Extracurricular Activities	372,930	132,594	3,442
<b>Capital Outlay:</b>			
Facilities Acquisition and Construction	2,106,629		
Debt Service			
Debt Service	560,809		
Total Governmental Activities	<u>11,936,494</u>	<u>571,754</u>	<u>528,757</u>
<b>Business-Type Activities:</b>			
Food Services	370,738	327,379	92,945
Preschool Program	62,171	69,920	1,519
Total Business-Type Activities	<u>432,909</u>	<u>397,299</u>	<u>94,464</u>
Totals	<u>\$12,369,403</u>	<u>\$969,053</u>	<u>\$623,221</u>

**General Receipts:**

**Property Taxes Levied for:**

- General Purposes
- Debt Service
- Classroom Facilities & Maintenance
- Income Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Gifts and Donations not Restricted to Capital Outlay
- Gifts and Donations not Restricted to Specific Programs
- Interest
- Miscellaneous

Total General Receipts

Advances

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

*See accompanying notes to the financial statements.*

**Net (Disbursements) Receipts and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
(\$4,035,796)		(\$4,035,796)
(1,056,671)		(1,056,671)
(207,687)		(207,687)
(12,211)		(12,211)
(173,701)		(173,701)
(269,395)		(269,395)
(23,496)		(23,496)
(702,276)		(702,276)
(296,794)		(296,794)
(8,129)		(8,129)
(874,907)		(874,907)
(263,472)		(263,472)
(7,116)		(7,116)
(236,894)		(236,894)
(2,106,629)		(2,106,629)
(560,809)		(560,809)
<u>(10,835,983)</u>		<u>(10,835,983)</u>
	\$49,586	49,586
	9,268	9,268
	<u>58,854</u>	<u>58,854</u>
<u>(10,835,983)</u>	<u>58,854</u>	<u>(10,777,129)</u>
1,705,036		1,705,036
458,482		458,482
35,068		35,068
1,613,918		1,613,918
4,792,383		4,792,383
30,500		30,500
14,400		14,400
32,446	93	32,539
40,348	300	40,648
8,722,581	393	8,722,974
5,000	(5,000)	
(2,108,402)	54,247	(2,054,155)
7,359,358	250,179	7,609,537
<u>\$5,250,956</u>	<u>\$304,426</u>	<u>\$5,555,382</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General Fund</u>	<u>Building Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$2,981,708	\$1,453,922	\$815,326	\$5,250,956
Total Assets	<u>2,981,708</u>	<u>1,453,922</u>	<u>815,326</u>	<u>5,250,956</u>
<b>Fund Balances:</b>				
Non-spendable	2,342			2,342
Restricted		1,453,922	552,738	2,006,660
Committed	229,107			229,107
Assigned	782,105		262,588	1,044,693
Unassigned	1,968,154			1,968,154
Total Fund Balances	<u>\$2,981,708</u>	<u>\$1,453,922</u>	<u>\$815,326</u>	<u>\$5,250,956</u>

*See accompanying notes to the financial statements.*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b>General Fund</b>	<b>Building Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts:</b>				
Property Taxes	\$1,705,036		\$493,550	\$2,198,586
Income Taxes	1,613,918			1,613,918
Intergovernmental	4,810,287		487,240	5,297,527
Interest	16,597	\$15,849		32,446
Tuition and Fees	295,629			295,629
Rent	810			810
Extracurricular Activities	137,796		131,869	269,665
Gifts and Donations	26,011		42,502	68,513
Charges for Services	144			144
Miscellaneous	20,986		353	21,339
<b>Total Receipts</b>	<b>8,627,214</b>	<b>15,849</b>	<b>1,155,514</b>	<b>9,798,577</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,394,503		59,470	4,453,973
Special	1,052,674		321,431	1,374,105
Vocational	318,815		8,000	326,815
Other	12,211			12,211
<b>Support Services:</b>				
Pupil	273,483			273,483
Instructional Staff	276,569		1,212	277,781
Board of Education	23,496			23,496
Administration	695,246		7,174	702,420
Fiscal	284,438		12,356	296,794
Business	8,129			8,129
Operation and Maintenance of Plant	780,033		95,684	875,717
Pupil Transportation	264,052			264,052
Central	7,116			7,116
Extracurricular Activities	219,830		153,100	372,930
<b>Capital Outlay:</b>				
Facilities Acquisition and Construction		1,796,354	310,275	2,106,629
<b>Debt Service:</b>				
Principal Retirement	47,371		325,000	372,371
Interest	6,080		182,358	188,438
<b>Total Disbursements</b>	<b>8,664,046</b>	<b>1,796,354</b>	<b>1,476,060</b>	<b>11,936,460</b>
<b>Excess of Receipts Over / (Under) Disbursements</b>	<b>(36,832)</b>	<b>(1,780,505)</b>	<b>(320,546)</b>	<b>(2,137,883)</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers - In			188,000	188,000
Advances - In	47,000		47,000	94,000
Refund of Prior Year Receipts	(34)			(34)
Refund of Prior Year Expenditures	12,327			12,327
Operating Transfers - Out	(188,000)			(188,000)
Advances - Out	(62,000)		(27,000)	(89,000)
Proceeds from Sale of Assets			12,188	12,188
<b>Total Other Financing (Uses) Sources</b>	<b>(190,707)</b>		<b>220,188</b>	<b>29,481</b>
<b>Net Change in Fund Balances</b>	<b>(227,539)</b>	<b>(1,780,505)</b>	<b>(100,358)</b>	<b>(2,108,402)</b>
<b>Fund Balances Beginning</b>	<b>3,209,247</b>	<b>3,234,427</b>	<b>915,684</b>	<b>7,359,358</b>
<b>Fund Balances End of Year</b>	<b>\$2,981,708</b>	<b>\$1,453,922</b>	<b>\$815,326</b>	<b>\$5,250,956</b>

See accompanying notes to the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property Taxes	\$1,714,245	\$1,714,245	\$1,705,036	(\$9,209)
Income Taxes	1,801,261	1,801,261	1,613,918	(187,343)
Intergovernmental	4,885,139	4,885,139	4,810,287	(74,852)
Interest	16,606	16,606	16,597	(9)
Tuition and Fees	269,402	269,402	295,629	26,227
Rent	834	834	810	(24)
Gifts and Donations	5,965	5,965	14,400	8,435
Charges for Service	806	806	144	(662)
Miscellaneous	28,603	28,603	15,167	(13,436)
<b>Total Receipts</b>	<u>8,722,861</u>	<u>8,722,861</u>	<u>8,471,988</u>	<u>(250,873)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,900,505	4,348,505	4,252,056	96,449
Special	1,232,702	1,211,768	1,056,439	155,329
Vocational	349,662	349,662	321,336	28,326
Other	10,255	17,755	18,497	(742)
<b>Support Services:</b>				
Pupil	192,638	192,638	182,137	10,501
Instructional Staff	297,025	297,525	287,375	10,150
Board of Education	41,466	56,466	34,603	21,863
Administration	768,623	768,623	712,810	55,813
Fiscal	352,653	352,653	299,768	52,885
Business	10,696	10,696	8,496	2,200
Operation and Maintenance of Plant	948,349	969,849	899,374	70,475
Pupil Transportation	326,461	321,461	286,484	34,977
Central	3,645	3,645	7,368	(3,723)
Extracurricular Activities	222,906	222,840	219,161	3,679
<b>Debt Service:</b>				
Principal Retirement		47,500	47,371	129
Interest	4,869	4,869	6,080	(1,211)
<b>Total Disbursements</b>	<u>8,662,455</u>	<u>9,176,455</u>	<u>8,639,355</u>	<u>537,100</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	<u>60,406</u>	<u>(453,594)</u>	<u>(167,367)</u>	<u>286,227</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of Sale of Capital Assets	489	489		(489)
Advances - In			47,000	47,000
Refund of Prior Year Expenditures			12,327	12,327
Operating Transfers - Out	(170,000)	(238,000)	(238,000)	
Advances - Out			(62,000)	(62,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(169,511)</u>	<u>(237,511)</u>	<u>(240,673)</u>	<u>(3,162)</u>
<b>Net Change in Fund Balance</b>	<u>(109,105)</u>	<u>(691,105)</u>	<u>(408,040)</u>	<u>283,065</u>
<b>Fund Balance Beginning of Year</b>	<u>2,647,816</u>	<u>2,647,816</u>	<u>2,647,816</u>	
<b>Prior Year Encumbrances Appropriated</b>	<u>228,612</u>	<u>228,612</u>	<u>228,612</u>	
<b>Fund Balance End of Year</b>	<u>\$2,767,323</u>	<u>\$2,185,323</u>	<u>\$2,468,388</u>	<u>\$283,065</u>

See accompanying notes to the financial statements.



FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2013

	<u>Business - Type Activity</u>
	<u>Enterprise</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$304,426
Total Assets	<u>304,426</u>
<b>Net Position:</b>	
Unrestricted	304,426
Total Net Position	<u>\$304,426</u>

*See accompanying notes to the financial statements.*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b>Business-Type Activity</b>
	<b>Enterprise</b>
<b>Operating Receipts:</b>	
Charges for Services	\$325,276
Tuition and Fees	69,920
Other Operating Revenues	2,103
Total Operating Receipts	397,299
<b>Operating Disbursements:</b>	
Salaries	158,975
Fringe Benefits	40,968
Purchased Services	6,560
Materials and Supplies	225,937
Capital Outlay	213
Other	256
Total Operating Disbursements	432,909
Operating Loss	(35,610)
<b>Non-Operating Receipts (Expenses):</b>	
Federal and State Subsidies	94,464
Interest	93
Proceeds from Sale of Capital Assets	300
Advance In	15,000
Advance Out	(20,000)
Total Non-Operating Receipts (Expenses)	89,857
Change in Net Position	54,247
Net Position Beginning of Year	250,179
Net Position End of Year	\$304,426

*See accompanying notes to the financial statements.*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Cash and Cash Equivalents	\$577,906	\$75,084
Total Assets	577,906	75,084
 <b>Liabilities:</b>		
Due to Students		74,488
Due to Employees		596
Total Liabilities		\$75,084
 <b>Net Position:</b>		
<b>Held in Trust for Scholarships:</b>		
Expendable	377,906	
Non-expendable	200,000	
Total Net Position	\$577,906	

*See accompanying notes to the financial statements.*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Gifts and Contributions	\$577,796
Interest	110
Total Additions	<u>577,906</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>                    </u>
Change in Net Position	577,906
Net Position Beginning of Year	<u>                    </u>
Net Position End of Year	<u><u>\$577,906</u></u>

*See accompanying notes to the financial statements.*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Fort Recovery Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in a rural community in Northwest Ohio. The School District is located in Mercer County. The School District is staffed by 40 non-certificated employees and 65 certificated full-time teaching personnel who provide services to 1,113 students and other community members.

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

**A. Primary Government**

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 Recovery Local School District, this includes general operations, food service, and student related activities of the School District.

**B. Component Units**

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in six jointly governed organizations, three insurance purchasing pools and one related organization. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Northwest Ohio Area Computer Services Cooperative
- Mercer County Local Professional Development Committee
- West Central Ohio Special Education Regional Resource Center
- West Central Ohio Regional Professional Development Center
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)**

Insurance Purchasing Pools:

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan  
Mercer Auglaize Employee Benefit Trust  
Ohio School Insurance Plan

Related Organization:

Fort Recovery Public Library

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

**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.

**1. 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. These 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 non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type 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 and business-type 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.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. 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 and enterprise (business-type activities) fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**B. Fund Accounting**

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

**1. Governmental Funds**

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

**Building Project**— The Building Project capital projects fund accounts proceeds from the issuance of bonds that will be used for construction and renovations to the existing high school.

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

**2. Proprietary Funds**

The School District classifies funds financed primarily from user charges for goods or services as proprietary. The School District's proprietary funds consist of enterprise funds.

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's enterprise funds accounts for the adult education program, preschool program and lunch room funds.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fiduciary Funds**

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature. The School District only maintains agency funds which account for the Section 125 plan and those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**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. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials and the fund financial statements for business-type activities would be presented on the accrual basis of accounting.

**D. Cash 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 School District records. Interest in the pool is presented as "Cash and Cash Equivalents" on the financial statements.

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 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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2013, the School District invested in nonnegotiable certificates of deposits, repurchase agreements and Fifth Third's Institutional Government Money Market Mutual Fund.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2013 was \$16,597 which included \$6,766 assigned from other School District funds.



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Inventory and Prepaid Items**

On a cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

**F. 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.

**G. 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.

**H. 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.

**I. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. 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.

Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**K. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for music and athletic programs, and federal and state 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. The School District did not have any assets restricted by enabling legislation at June 30, 2013.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. 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:

**Non-spendable** – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The ‘not in spendable form’ includes items that are not expected to be converted to cash.

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

**Assigned** – Amounts in the assigned 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 Board of Education.

**Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another fund are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the School District, these receipts are tuition for preschool and sales for food service. Operating disbursements are necessary costs incurred to provide the good or service that are the primary activity of the fund. Receipts and disbursements that do not meet these definitions are reported as non-operating.

**O. 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 budgetary control is at the fund level for all funds, except the General Fund. The School District legal level of control for the general fund is the object level. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

**3. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, 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, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and cash basis are

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Cash Basis	(\$227,539)
Encumbrances	(239,243)
Perspective Differences	<u>58,742</u>
Budgetary Basis	<u><u>(\$408,040)</u></u>

**4. 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;
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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**A. 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 possession of an outside party. The School District has no deposit policy for custodial 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 with either 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 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$2,559,779 and the bank balance was \$2,853,842. \$2,576,204 of the School District's deposits was insured by federal depository insurance. As of June 30, 2013, \$277,638 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

**B. Investments**

Investments are reported at fair value. As of June 30, 2013, the School District's investment included \$2,621,571 in repurchase agreements and \$1,027,022 in Fifth Third's Institutional Government Money Market Fund.

**Interest Rate Risk** – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements of ongoing operations. The average maturity of the Fifth Third Institutional Government Money Market Mutual Fund is 53 days.

**Credit Risk** – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The Fifth Third Institutional Government Money Market Mutual Fund carries an S&P credit rating of AAAm.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

The School District's \$2,621,571 investment in repurchase agreements is exposed to credit risk due to the underlying securities are held by the investment's counterparty or its trust department or agent, not in the School District's name.

**Concentration of Credit Risk** - The School District places no limits on the amount the School District may invest in any one issuer. The School District's investment percentage for repurchase agreements and the Fifth Third Institutional Government Money Market Mutual Fund are 72% and 28%, respectively.

**5. PROPERTY TAXES**

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**5. PROPERTY TAXES (Continued)**

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

	<b>2012 Second- Half Collections</b>		<b>2013 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$89,208,490	96.62%	\$90,490,000	96.47%
Public Utility Personal	3,123,840	3.38%	3,315,150	3.53%
<b>Total</b>	<b>\$92,332,330</b>	<b>100.00%</b>	<b>\$93,805,150</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$34.00		\$33.60	

**6. INCOME TAXES**

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. An original one percent tax was effective on January 1, 1991, with an additional .5 percent tax passed in May 2005. This is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. RISK MANAGEMENT**

**A. Property and Liability**

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. During fiscal year 2013, the School District's property, fleet coverage, and liability insurance was provided by the Netherlands Insurance Company.

Coverage provided is as follows:

Building and Business Personal	
Property Coverage (\$1,000 deductible)	\$33,515,881
Automobile Liability (\$500 deductible)	1,000,000
Uninsured/Underinsured Motorists (\$500 deductible)	1,000,000
General Liability:	
Each Occurrence	1,000,000
Medical Expense – any one person/each accident	15,000
General Aggregate Limit	3,000,000
Employee Benefits Liability:	
Each Offense (\$1,000 deductible)	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease – each employee	1,000,000
Disease Policy Limit	1,000,000
Aggregate 2,000,000	

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Educational Legal Liability:	
Errors and Omissions Injury – each wrongful act (\$2,500 deductible)	1,000,000
Errors and Omissions Injury Aggregate	1,000,000
Sexual Misconduct and Molestation Liability:	
Each Offense (\$2,500 deductible)	1,000,000
Aggregate	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2013, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Comp Management, Inc. provides the administrative, cost control and actuarial services to the GRP.

**C. Health Care Benefits**

The School District participates in the Mercer Auglaize Employee Trust (Trust), a public entity shared risk pool consisting of eleven local districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical, dental, and vision insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**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, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2013, the allocation to pension and death benefits is 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$117,641, \$123,092, and \$103,217, respectively; 66.96 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

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

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

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**Funding Policy** - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$517,503, \$523,246, and \$507,669, respectively; 82.93 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**C. Social Security System**

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

**9. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

**Medicare Part B Plan** – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending upon their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$6,645, \$7,269, and \$6,642, respectively; 66.96 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

**Health Care Plan** – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. 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 health care surcharge.

For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$18,456, \$20,612, and \$27,788, respectively; 5.21 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

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

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$39,808, \$40,250, and \$39,051, respectively; 82.93 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**10. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation leave may be carried over from one year to the next and can be accumulated up to a 3 year maximum. Unused vacation time is paid to classified employees and administrators upon retirement. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, employees who meet the State requirement of 10 years of service will receive payment for twenty-five percent of accrued, but unused sick leave credit to a maximum of 150 days for all employees, plus an addition two and one-half days for each year over twenty years of service in the Fort Recovery School System (60 day maximum).

**B. Insurance Benefits**

The School District provides life insurance to most employees through AIG American General. Vision insurance is provided through the Vision Service Plan. Medical/surgical benefits and dental benefits are provided through CoreSource through the Mercer Auglaize Employee Benefit Trust (See Note 14).

**11. DEBT**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	<u>Amount Outstanding 6/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2013</u>	<u>Amount Due in One Year</u>
<b>Governmental Activities:</b>					
1998 School Improvement Bonds					
Capital Appreciation Bonds 7.5%	\$334,877	\$11,616	(\$175,000)	\$171,493	\$175,000
2010 Classroom Facilities Refunding					
Serial Bonds 2% - 4%	1,480,000		(10,000)	1,470,000	10,000

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**11. DEBT (Continued)**

	<u>Amount Outstanding 6/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2013</u>	<u>Amount Due in One Year</u>
<b>Governmental Activities: (Cont'd.)</b>					
2011 School Energy Conservation Bonds - 2.85%	236,180		(47,371)	188,809	47,371
2012 School Improvement Bonds - 1.5% - 4%	3,385,000		(140,000)	3,245,000	110,000
Total Governmental Activities Long-Term Liabilities	<u>\$5,436,057</u>	<u>\$11,616</u>	<u>(\$372,371)</u>	<u>\$5,075,302</u>	<u>\$342,371</u>

**1998 School Improvement General Obligation Bonds** – On August 1, 1998, the School District issued \$3,389,193 in voted general obligation bonds for the acquisition, construction, and improvement to buildings and structures. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,705,000, \$1,500,000, and \$265,339, respectively. During fiscal year 2010, the School District refunded the serial and term portion of these bonds. The capital appreciation bonds mature in fiscal years 2011 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds at June 30, 2012 is \$350,000. For the fiscal year 2013, \$11,616 was accreted for total bond value of \$171,493. The bonds are being retired from the Bond Retirement debt service fund.

**2010 Classroom Facilities Refunding Bonds** – On June 3, 2010, the School District issued \$1,665,000 in general obligation bonds with interest rates between 2% to 4% to advance refund \$1,670,000 of the 1998 School Improvement General Obligation Bonds. The bonds are being retired from the Bond Retirement debt service fund.

**2011 School Energy Conservation Bonds** – On October 25, 2011, the School District issued \$236,180 in School Energy Conservation Improvement Bonds carrying a 2.85% interest rate. The bonds will mature December 1, 2016, and will be paid from savings resulting from the conservation measures.

**2012 School Improvement Bonds** – On March 21, 2012, the School District issued \$3,385,000 in school improvement bonds that were used to pay off a \$3,400,000 school improvement bond anticipation note. The bonds interest rate varies between 1.5% and 4%. The final payments on the bonds will be December 1, 2034. The bonds will be paid out of the Bond Retirement debt service fund from property taxes receipts from a bond levy approved by the voters on November 8, 2011.

The School District's overall legal debt margin was \$3,756,470 the un-voted debt margin was \$93,805 and the energy conservation debt margin was \$655,437 at June 30, 2013.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2013 are as follows:

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**11. DEBT (Continued)**

Fiscal Year Ending June 30,	General Obligation Bonds		Energy Conservation Bonds		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2014	\$295,000	\$186,788	\$47,371	\$4,774	\$342,371	\$191,562	\$533,933
2015	315,000	152,950	47,371	3,404	362,371	156,354	518,725
2016	320,000	142,838	47,372	2,039	367,372	144,877	512,249
2017	335,000	132,675	46,695	676	381,695	133,351	515,046
2018	345,000	121,925			345,000	121,925	466,925
2019-2023	1,260,000	458,363			1,260,000	458,363	1,718,363
2024-2028	730,000	326,175			730,000	326,175	1,056,175
2029-2033	885,000	172,100			885,000	172,100	1,057,100
2034-2035	428,500	16,300			428,500	16,300	444,800
Subtotal	4,913,500	1,710,114	188,809	10,893	5,102,309	1,721,007	6,823,316
Less Accretion on Capital Appreciation Bonds	(27,007)				(27,007)		(27,007)
Grand Total	<u>\$4,886,493</u>	<u>\$1,710,114</u>	<u>\$188,809</u>	<u>\$10,893</u>	<u>\$5,075,302</u>	<u>\$1,721,007</u>	<u>\$6,796,309</u>

In fiscal year 1997, the School District was awarded \$16,145,140 for construction and improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds remaining from the issuance of bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

**12. FUND BALANCE**

Fund balance is classified as non-spendable, 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:

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**12. FUND BALANCE (Continued)**

<b>Fund Balance</b>	<b>General</b>	<b>Building Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Non-spendable	\$2,342			\$2,342
<b>Restricted:</b>				
Classroom Maintenance			\$124,146	124,146
Athletics			35,054	35,054
Local Grants			6,668	6,668
Debt Service			365,327	365,327
Capital Improvements		\$1,453,922		1,453,922
State and Federal Grants			21,543	21,543
Total Restricted		1,453,922	552,738	2,006,660
Committed to:				
Termination Benefits	229,107			229,107
<b>Assigned for:</b>				
Unpaid Obligations	239,243			239,243
FY 14 Appropriations	500,234			500,234
Public School Support	42,628			42,628
Capital Improvements			262,588	262,588
Total Assigned	782,105		262,588	1,044,693
Unassigned	1,968,154			1,968,154
Total Fund Balance	<u>\$2,981,708</u>	<u>\$1,453,922</u>	<u>\$815,326</u>	<u>\$5,250,956</u>

**13. SET-ASIDE REQUIREMENTS**

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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2013.

	<b>Capital Improvements</b>
Set-aside Reserve Balance as of June 30, 2012	
Current Year Set-aside Requirement	\$163,475
Qualifying Disbursements	(163,475)
Total	<u>\$0</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION**

**A. Jointly Governed Organizations**

**Northwest Ohio Area Computer Services Cooperative** - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among school districts in Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Van Wert and Wood counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these school supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2013, the School District contributed \$36,069 to NOACSC. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 645 South Main Street, Lima, OH 45804.

**Mercer County Local Professional Development Committee** - The School District is a participant in the Mercer County Local Professional Development Committee (Committee), which is a regional council of governments established to provide professional education license renewal standards and procedures. The Committee is governed by an eleven member board made up of six teachers, two principals, once superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$75 during the fiscal year. Financial information can be obtained from Mary Brandon, Treasurer of the Mercer County Educational Service Center at 441 East Market Street, Celina, Ohio 45822.

**West Central Ohio Special Education Regional Resource Center** - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$20 during fiscal year 2013. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Harding County Education Service Center, 1211 W. Lima Street, Suite A, Kenton, Ohio 43326-2385.



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION (Continued)**

**West Central Ohio Regional Professional Development Center (Center)** – The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District contributed \$0 to the Center during the fiscal year. Financial information can be obtained by contacting Greg Spiess, Treasurer, at the Hancock County Education Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2013, the School District paid \$0 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2013, the School District made \$350 in payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND RELATED ORGANIZATION (Continued)**

**B. Insurance Purchasing Pools**

**Ohio Association of School Business Officials Workers' Compensation Group Rating Plan** - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool.

**Mercer Auglaize Employee Benefit Trust** – The Mercer Auglaize Employee Benefit Trust (Trust) is a insurance pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 50(C)(9) of the Internal Revenue Code and provides medical, dental and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plan offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler, JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

**Ohio School Insurance Plan (Plan)** – The School District participates in the Ohio School Insurance Plan, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a board composed of officials from various member entities. The Hylant Administrative Services, LLC is the Plan's administrator and is responsible for processing claims. Financial information can be obtained from Ohio School Plan, c/o Hyland Administrative Services, LLC 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43606-2083.

**C. Related Organization**

**Fort Recovery Public Library** – The Fort Recovery Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees.

The School District did not make any financial contributions to the Fort Recovery Public Library during the fiscal year. Financial information can be obtained from the Fort Recovery Public Library, Marcia Staugler, Clerk/Treasurer, at 113 North Wayne Street, Fort Recovery, Ohio 45846.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**15. INTERFUND BALANCES**

During fiscal year 2013, the School District advanced \$10,000, \$10,000 and \$7,000, to the Race to the Top Grant, Title I and Improving Teacher Quality special revenue funds from the General Fund. These advances were necessary due to the timing of the receipt of grants and were repaid during fiscal year 2013.

Also during fiscal year 2012, the School District advanced \$20,000 to the Preschool enterprise fund from the General Fund to help cover operating disbursements. This advance was paid back in fiscal year 2013 and then the School District advanced another \$15,000, which was outstanding at June 30, 2013. The School District will evaluate the fees charged for these services to ensure receipts cover disbursements.

During fiscal year 2013, the School District advanced \$10,000 and \$10,000 to the Public School Preschool and Race to the Top funds from the General Fund. These advances were necessary due to the timing of the receipt of grants and will be repaid early in fiscal year 2014.

During fiscal year 2013, the School District transferred \$170,000 from the General Fund to the Permanent Improvement capital projects fund. The transfer was to provide for capital acquisitions. Also during fiscal year 2013, the School District transferred \$18,000 from the General Fund to the Bond Retirement Fund to pay for debt.

**16. CONTRACTUAL COMMITMENTS**

As of June 30, 2013, the School District had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Purchase Order Amount</u>	<u>Disbursed</u>	<u>Remaining Amount</u>
Jutte Excavating, Inc.	\$83,500		\$83,500
Garmann Miller & Associates	49,000		49,000
ING	112,161		112,161
Muhlenkamp Building Corp.	658,310	\$412,338	245,972
All-Temp Refrigeration	342,632	206,481	136,151
Muhlenkamp Building Corp.	75,000		75,000
MAC Athletics	41,965		41,965

**17. DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust funds include donor-restricted endowments. These assets are shown as net position held in trust for scholarships - non-expendable to represent the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is shown as net position held in trust for scholarships - expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments of the private purpose funds indicate that the interest should be used to provide scholarships.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**18. COMPLIANCE**

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

**19. CONTINGENT LIABILITIES**

**Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

**20. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* GASB *Statement No. 63* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.



# 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 Recovery Local School District  
Mercer County  
400 E. Butler Street P.O. Box 604  
Fort Recovery, Ohio 45846

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Recovery Local School District, Mercer County, (the School District) as of and for the years ended June 30, 2014 and 2013, 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 August 27, 2014, 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 opinion 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

***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

August 27, 2014

FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2014 AND 2013

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

FINDING NUMBER 2014-001

1. Not Reporting in Accordance with GAAP - Noncompliance

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such report. If the Auditor of State has not prescribed a rule regarding the form for the report, the public official shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.83.

**Ohio Admin. Code § 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for 2014 and 2013 following the cash basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its annual financial statements in accordance with generally accepted accounting principles that present assets, liabilities and disclosures to provide a completed presentation of its financial status.

**Official's Response:** These citations were a result of the District not preparing its financial statements in accordance with generally accepted accounting principles (GAAP). The District has prepared its financial statements using an alternative cash basis of financial reporting by compiling and completing OCBOA (other comprehensive basis of accounting) financial reports for fiscal years ended June 30, 2014 and 2013. While we admit that the Ohio Administrative Code requires the District to file our financial reports on a GAAP basis, the District believes that the financial costs associated with generating and auditing the reports on the GAAP basis, outweigh any benefits that the District may obtain from preparing and filing GAAP reports.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	ORC 117.38 and OAC 117-2-03(B) – failure to file financial statements prepared in accordance with generally accepted accounting principles (GAAP)	No	Repeated as Finding 2014-001





# Dave Yost • Auditor of State

**FORT RECOVERY LOCAL SCHOOL DISTRICT**

**MERCER 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  
OCTOBER 02, 2014**